Analysis of Impediments to Fair Housing

City of Burlington, North Carolina

2010

425 South Lexington Avenue

Burlington, North Carolina 27215

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Contents

Executive Summary

As discussed in the City's Consolidated Plan, Burlington is rich in history located in the heart of the North Carolina Piedmont. It is a community born of the railroad, bred on the loom and built on an ability to turn adversity into opportunity. Early industry focused on the railroad, but the importance of textiles to the local economy cannot be underestimated. As cotton markets fluctuated, Burlington Mills found a new fabric, rayon, from which to build an industry. Burlington is governed in a Council / Manager format with a five member Council including a City Mayor and Mayor pro-tem. The City Manager's office carries out the policies approved by the City Council and keeps them informed of Burlington's affairs.

Located in Alamance County, Burlington is part of the Greensboro, Winston-Salem and High Point Metropolitan Statistical Area or Piedmont Triad. With a population of 50,857 the City is the largest of Alamance County's ten incorporated municipalities.

Background

Fair Housing is the right of individuals to obtain the housing of their choice, free from discrimination based on race, color, religion, sex, disability, familial status, or national origin. In addition, the State of North Carolina Fair Housing Law has been amended to specifically deal with housing affordability…

> "(g) It is an unlawful discriminatory housing practice to discriminate in land-use decisions or in the permitting of development based on race, color, religion, sex, national origin, handicapping condition, familial status, or, except as otherwise provided by law, the fact that a development or proposed development contains affordable housing units for families or individuals with incomes below eighty percent (80%) of area median income…."[1]

[1] North Carolina Fair Housing Law

The right to Fair Housing is assured by the Federal Fair Housing Acts of 1968 and 1988, as amended, which makes it unlawful to discriminate in the sale, rental, financing, and insuring of housing.

This Impediment Analysis provides complete demographic information regarding population, race/ethnicity, labor force, unemployment, household make-up, income, tenure, age/condition, supply/demand, and affordability.

FAIR HOUSING COMPLAINTS IN BURLINGTON SINCE 2000

Even though discrimination in the private housing market is illegal, the practice still persists. The City of Burlington's Fair Housing Strategy addresses discrimination in housing through the enforcement of the State and Federal Fair Housing Statutes. The Federal Fair Housing Laws prohibit discrimination in housing due to race, color, national origin, religion, gender, familial status, and disability while North Carolina also considers affordable housing.

Within the City of Burlington, the North Carolina Human Relations Commission is responsible for the enforcement of fair housing laws, the mediation/conciliation and the litigation of fair housing complaints. The NCHRC provides services and programs aimed at improving relationships among all citizens of the state, while seeking to ensure equal opportunities in the areas of employment, housing, public accommodations, recreation, education, justice and governmental services.

The Commission also enforces the North Carolina State Fair Housing Act and is fully substantially equivalent with the Office of Fair Housing (Title VIII) within the U.S. Department of Housing and Urban Development. The Commission participated in writing and implementing the Fair Housing goals for the North Carolina Comprehensive Housing Affordability Strategy (CHAS) and the Consolidated Housing Plan required by the Federal government. Further, the commission also serves as a resource to Community Development Block Grant recipients in helping them develop adequate Fair Housing plans. The commission supports and works with 57 local autonomous commissions throughout the State of North Carolina. In addition, the commission also serves as a clearinghouse to disseminate information concerning North Carolina's employment law to citizens.[2]

[2] North Carolina Human Relations Web-Page

Burlington/Alamance County Complaints 1/1/2000-9/30/2010	
Complaint	**Number of Complaints**
Race	5
Race/Sex	1
Family Status	3
Disability	6
Disability/Race	3
Disab/Race/Sex	1
Disability/FamStat	1
National Origin	2
Total	22

Burlington Outcomes 1/1/2000-9/30/2010	Number
Cause Findings	11
No Cause Findings	9
Administrative and Other Closures	1
Pending (October 1, 2010)	1
Total	22

OTHER FAIR HOUSING RESOURCES IN NORTH CAROLINA

North Carolina Fair Housing Center

The North Carolina Fair Housing Center was founded in 1994 to support and encourage equal opportunities in housing within the state. The Center is funded in part by HUD and the Z. Smith Reynolds Foundation. Through education, enforcement, training and advocacy, the Center promotes equal housing, lending and insurance opportunities The Center both advocates and facilitates enforcement of the Federal Civil Rights and Fair Housing Acts which prohibit housing discrimination based on race, color, religion, gender, national origin, disability, or familial status.

National Community Reinvestment Coalition (NCRC)

Through workshops, conferences, investigation of civil rights complaints, systemic "testing," education and outreach, fair housing planning and "best practice" compliance initiatives, NCRC Fair Housing provides technical assistance to our members in rural, suburban and urban communities to promote economic justice and equal housing opportunity in our nation.

NCRC Fair Housing is currently focusing on increasing our members capacity to challenge discrimination, creating a anti-predatory lending member network to challenge discriminatory lending, and to build community lender partnerships that celebrate good business and access to credit.

The mission of the NCRC is to increase fair and equal access to credit, capital, and banking services and products because discrimination is illegal, unjust, and detrimental to the economic growth and well being of our society. NCRC is a HUD Qualified Fair Housing Organization. Seeking to support long-term solutions, NCRC provides resources, knowledge and skills to build community and individual net wealth.

NCRC is at the vanguard of a growing movement in which community leaders in rural and urban areas across the nation are becoming educated about, and active in, efforts to affect the flow of capital and the provision of fair housing and fair lending services in their neighborhoods.

NCRC has worked to make fair housing prevalent in all communities, to increase the capacity of neighborhood-based organizations, and to promote community-lender partnerships. These goals have been accomplished through fair lending testing, research, client counseling, investigating predatory lending practices, pro-integration activities, education and outreach programs, and private enforcement. NCRC Fair Lending professional staff testified on Capitol Hill, served as a resource to both the private and public sector, and are invited as "experts" to speak at conferences throughout the nation.

For more Information regarding NCRC's investigations of civil rights complaints, systemic "testing," education and outreach, fair housing planning and "best practice" compliance initiatives see NCR Web site—www.ncrc.org .[3]

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[3] National Community Reinvestment Coalition (www.ncrc.org).

Impediments Identified

The Fair Housing Analysis Update for Burlington includes impediments to fair housing choice currently being addressed and the plans recommended to remedy them. The City's prior Analysis of Impediments was conducted in 2006 and included issues that are carried over to this update. This update is based on available public and private sector information from the City of Burlington, the City of Greensboro HOME Consortium, the real estate, insurance and banking industries, the Burlington Housing Authority, and the Atlanta and Greensboro HUD Offices of Fair Housing and Equal Opportunity and Community Planning and Development.

Specifically based upon the current data available, the following are the impediments and suggested actions that have been identified for the City. Of the three impediments, two are carried over and continuing over a longer term. The City will document and report its actions to HUD on the removal of impediments through Annual Reports which are a part of the Consolidated Plan Process.

Burlington 2006 Impediments

The City of Burlington is committed to equal housing opportunity. Despite its commitment and efforts over the years, unfair housing practices, procedures or policies continue to exist in the City.

The City gathered and examined the existing data on policies, practices, procedures, patterns, and conditions affecting the location, availability, and accessibility of housing. Because of its findings, the City identified possible unfair housing practices. Specifics of the impediments identified in 2006 are found in Section VI, Summary of Progress an Conclusions.

Assessment of Accomplishments Since 2006

In Burlington's Action Plan, the City integrated actions to encourage non discrimination and fair housing choice for all individuals into its annual activities and efforts to remove barriers to affordable housing. The City performed the following activities and conducted the following education/outreach effort on fair housing choice and distributed HUD pamphlets, "Fair Housing, It's Your Right" and "Putting Your Home on the Loan Line is Risky Business," to public facilities and placed pamphlets in the public information rack in the City Municipal Building.

- Worked with Alamance County Community Services to make fair housing materials available to the Public.
- Provided down-payment assistance to low and moderate-income first-time homebuyers using ADDI and other funds.
- Referred potential first-time homebuyers for housing counseling to certified housing counselors at Alamance County Community Services Agency, the banks and the Consumer Credit Counseling Agency of Burlington, a non-profit organization.
- Increased and maintained affordable owner-occupied housing stock through the City's existing housing rehabilitation loan programs.
- Rehabilitated homes of disabled and elderly households to make the houses more accessible based on their physical limitations, thereby, enabling them to continue to reside in their homes.
- Referred homeowners threatened with foreclosure on their property or with credit problems to Consumer Credit Counseling Service, Resolution Mitigation Services, and/or Legal Aid. Legal Aid (as appropriate and necessary) placed the homeowners with the UNC or Duke Law Clinics.
- Referred landlords and eligible potential tenants to Graham Housing Authority to obtain rental assistance through the Section 8 program.
- Referred eligible rehabilitation clients to Alamance County's Housing rehabilitation grant program.
- Referred clients with rental housing problems to Alamance County Community Services for assistance through their Housing Counseling Program.
- Contacted Burlington-Alamance County Association of REALTORS to confirm their use of Fair Housing practices. The Association sent the City the Fair Housing Declaration they use for clients.
- Completed a Housing Rehabilitation brochure, which promotes the fair housing symbol and the City's adherence to this policy.

Burlington 2010 Impediments

On October 29, 2010 a Public Meeting was held to solicit concerns of the public regarding the availability of fair housing opportunities. The following is an outline of the concerns identified:

Affordable Homeownership and Rental Housing Issues

The main issues that were discussed mainly pertained to affordable housing.

- Credit History issues for prospective tenants
- No trespassing law for subsidized housing (Example: the father of a baby comes onto the property then the mother can be evicted)
- Lack of income/cannot find employment
- Low wage employment (most clients work in the retail or fast food industry)
- Increase in extended families living together (doubling or tripling up the family size) because of affordability issues.
- Outstanding utility bills prevent moving into a rental unit
- Limited local public transportation in the community
    - Ability to obtain and/or maintain jobs may be limited
    - Housing options are limited

Specifics of the identified impediments to fair housing choices in the City of Burlington and recommendations for minimizing or eliminating these impediments are found in Section VI, Summary of Progress and Conclusions.

Impediment #1: Access to Affordable Homeownership, as well as Rental Units and Prevention of Predatory Lending Practices.

Impediment #2: Need to accelerate Fair Housing outreach with housing industry including developers, realtors, financial institutions, and insurers.

Summary

Access and Understanding the State and Federal Fair Housing Laws tell us that fair housing is within reach in Burlington; however, two impediments do not give the whole picture. Other barriers exist, but, regrettably, they are not quite within the realm of public control. Furthermore, they are not exclusive to the City of Burlington. These limitations are largely ones that exist within the individuals themselves, such as lack of education, language barriers, suspicion of public agencies, and other cultural or social characteristics. Certainly cities can reach out to the less educated, to speakers of other languages, and to those who might not trust government; but overcoming these kinds of cultural impediments is, to a great extent, under the control of the citizens themselves. Each citizen, whether or not a member of a protected class, has the opportunity—and some would argue, the responsibility—to make fair housing a standard practice, by educating themselves and others of the right each American has to live in housing free of discrimination.

SECTION I: Introduction and Methodology

Introduction

Fair Housing is the right of individuals to obtain the housing of their choice, free from discrimination based on race, color, religion, sex, disability, familial status, or national origin. In addition, the State of North Carolina Fair Housing Law has been amended to specifically deal with housing affordability…

> "(g) It is an unlawful discriminatory housing practice to discriminate in land-use decisions or in the permitting of development based on race, color, religion, sex, national origin, handicapping condition, familial status, or, except as otherwise provided by law, the fact that a development or proposed development contains affordable housing units for families or individuals with incomes below eighty percent (80%) of area median income…."[1]

The right to Fair Housing is assured by the Federal Fair Housing Acts of 1968 and 1988, as amended, which makes it unlawful to discriminate in the sale, rental, financing, and insuring of housing.

Under the Fair Housing Act an aggrieved person may, not later than one year after an alleged discriminatory housing practice has occurred, file a complaint directly with the U.S. Department of Housing and Urban Development (HUD), or a State or local agency enforcing laws that are "substantially equivalent" to the Fair Housing Act. Upon the filing of such a complaint, HUD has the responsibility to serve notice of the complaint and conduct an investigation into the alleged discriminatory housing practice.

Since the "substantially equivalent" North Carolina Human Relations Commission (NCHRC) is responsible for the enforcement of fair housing laws, the mediation/conciliation and the litigation of fair housing complaints, the NCHRC provides services and programs aimed at improving relationships among all citizens of the state, while seeking to ensure equal opportunities in the areas of employment, housing, public accommodations, recreation, education, justice as well as governmental services and is empowered to accept complaints, serve notice of complaints, conduct investigations into alleged discriminatory housing practices, make determinations, and adjudicate cause findings.

In order to ensure the prevention and elimination of housing discrimination, HUD requires all governing authorities directly receiving Consolidated Plan Program funds to certify that the community, consortium or state will "affirmatively further Fair Housing" within their jurisdictions. This requirement is codified in the Consolidated Plan requirements under 24 CFR 91.225. Public agency obligations under the Act may be grouped into three categories:

Intent: The obligation to avoid policies, customs, practices, or processes whose intent or purpose is to impede, infringe, or deny the exercise of fair housing rights by persons protected under the Act.

Effect: The obligation to avoid policies, customs, practices, or processes whose effect or impact is to impede, infringe, or deny the exercise of Fair Housing rights by persons protected under the Act.

Affirmative Duties: The Act imposes a fiduciary responsibility upon public agencies to anticipate policies, customs, practices, or processes that previously, currently, or may potentially impede, infringe, or deny the exercise of Fair Housing rights by persons protected under the Act.

The first two obligations pertain to public agency operations and administration, including those of employees and agents, while the third obligation extends to private as well as public sector activity. In light of the recent, ground breaking Court decision regarding a class action Suit (United States Southern District Court of New York, USA *ex rel.* Anti-Discrimination Center of Metro New York, Inc., Plaintiffs against Westchester County, New York, Defendant) where basically the County's A.I. Certification and other actions, or lack thereof, were called to task and failed to show any anti-discriminatory results.

The Burlington Fair Housing Analysis of Impediments discusses the results of earlier analyses of impediments and the steps the City intends to take to implement policies that will prevent and eliminate housing discrimination in the City.

Methodology

The Analysis of Impediments (AI) conducted by the TDA team involved a variety of data collection and analysis techniques, including:

- Analyzing demographic data available through the U.S. Census Bureau, as well as descriptive data pertaining to the Alamance County housing market and trends in real estate over the past ten years.
- Examination of mortgage lending trends through the analysis of data available through the Home Mortgage Disclosure Act (HMDA).

Enacted by Congress in 1975 and implemented by the Federal Reserve Board's Regulation C, HMDA requires lending institutions to report public loan data. Using the loan data submitted by these financial institutions, the Federal Financial Institutions Examination Council (FFIEC) creates aggregate and disclosure reports for each metropolitan area (MA) that are available to the public at central data depositories located in each MA.

INTERVIEWS WITH LOCAL GOVERNMENT STAFF AND COMMUNITY REPRESENTATIVES.

A review of source documents, including the most recent AI, conducted in 2006, the 2010-2014 Consolidated Plan, HUD Fair Housing Records, as well as, the City’s most recent CAPERs.

To begin an examination of current Fair Housing policies and strategies, this report will look at past accomplishments and look at the City of Burlington and other North Carolina communities to provide a basis of comparison between what the Burlington Fair Housing Plan proposes to do and further steps it can and should take to affirmatively further Fair Housing.

Section II: Demographic and Economic Overview

This section profiles the City of Burlington's demographic and housing trends by examining and mapping data from the 1990 decennial Census, 2000 decennial Census, 2006-2008 American Community Survey 3-year Estimates and other relevant data. The section then provides an analysis of the area's housing market and a household's ability to purchase a home. Finally, the section concludes with a synopsis of housing problems experienced by residents, such as cost burden, physical defects and overcrowding.

The following table provides an overview of the City of Burlington's demographic and housing profile in 1990, 2000 and 2008. The population within the city increased by 15.2 percent between 1990 and 2000 to reach 45,363 (from 39,368 in 1990), and rose again by 2008 to an estimated 49,038 (8.1 percent increase). This occurred against a backdrop of somewhat higher growth countywide (20.9 percent increase from 1990 to 2000, and an additional estimated 10.7 percent to 2008).

At the same time, the number of households rose by 10.0 percent from 1990 to 2000, and by another 9.5 percent by 2008. The similar increase in number of households as in population supports the relative stability in household size from 2.22 in 1990 to 2.24 in 2008.

From 1990 to 2000, the percent of persons 65 and older in the City of Burlington declined from 17.1 to 16.7 percent, and fell again to an estimated 15.0 percent in 2008. As a result, the median age of the population gradually declined from 37.4 years in 1990 to 36.7 years in 2000, where it remained in 2008.

Overall Profile: 1990, 2000 and 2006

	1990		2000		2008 estimate	
	Burlington city	Alamance County	Burlington city	Alamance County	Burlington city	Alamance County
Population	39,368	108,213	45,363	130,800	49,038	144,778
Percent 65 or Older	17.1%	14.6%	16.7%	14.1%	15.0%	13.8%
Households	16,728	42,798	18,397	51,722	20,147	58,215
Housing Units	17,718	45,312	19,528	55,463	21,906	63,810
Percent of Vacant Units	6.0%	5.9%	6.3%	7.0%	8.0%	8.8%
Homeownership Rate	61.7%	72.0%	59.6%	70.1%	55.4%	66.2%

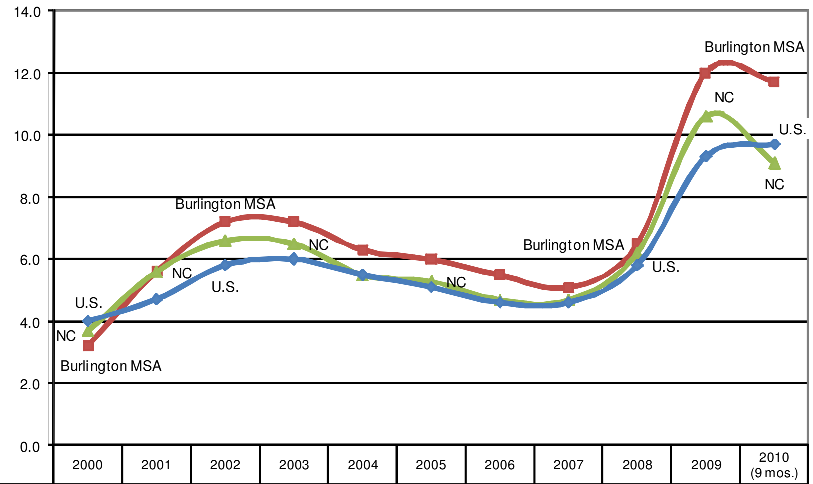
Source: Census 1990 and 2000, calculated from data extracted from Summary File 3, Tables H6 and H7; 2006-2008 American Community Survey 3-year Estimates.

The 1990 Census reported a labor force of 31,851 persons in the City of Burlington. In 2000, Census data reported a labor force of 35,673 and a calculated unemployment rate of 5.5 percent (up from 3.4 in 1990). American Community Survey 2006-2008 data estimate 25,977 persons in the labor force, and a calculated unemployment rate of 7.0 percent. Bureau Labor Statistics data show a 2008 unemployment rate of 6.5 percent in the MSA, up from 3.2 in 2000.

By comparison, the 2000 unemployment rate for the state of North Carolina was 3.7 percent, 0.3 points below the national rate. More recent full-year data show the 2009 unemployment rate for the state of North Carolina to be 10.6 percent, as compared to a national rate of 9.3 percent. The first nine months' data for 2010 show that unemployment rates have increased to 9.7 percent nationally, but declined to 9.1 percent in North Carolina, and 11.7 percent in the Burlington MSA (from 12.0 at the end of 2009).[4]

[4] Bureau of Labor Statistics, Unemployment Rates for Metropolitan Areas, accessed 10/14/10.

Unemployment Rate History

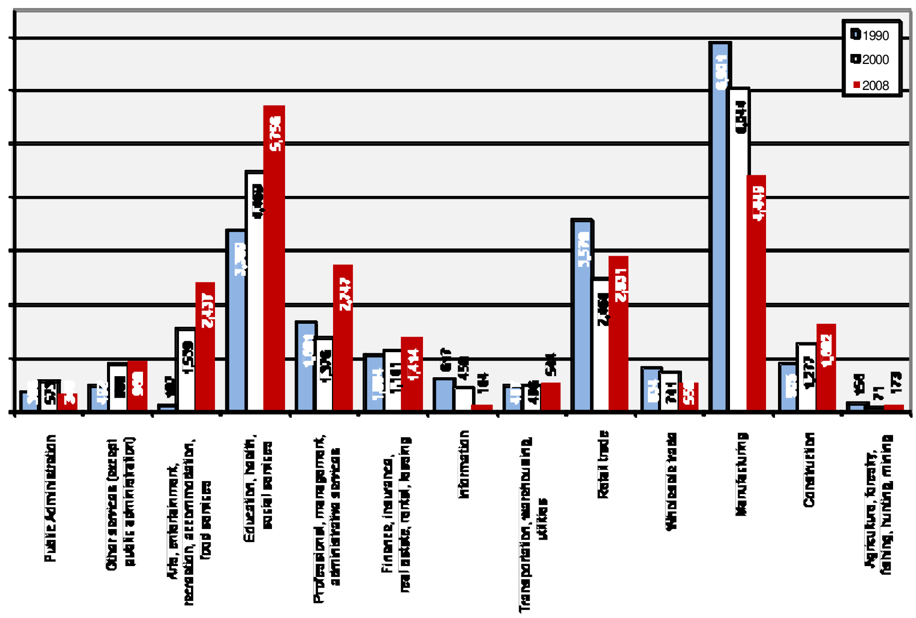


	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 (9 mos.)
Burlington MSA	3.2	5.6	7.2	7.2	6.3	6.0	5.5	5.1	6.5	12.0	11.7
NC	3.7	5.6	6.6	6.5	5.5	5.3	4.7	4.7	6.2	10.6	9.1
U.S.	4.0	4.7	5.8	6.0	5.5	5.1	4.6	4.6	5.8	9.3	9.7

Source: Decennial Census (1990, 2000), 2005-7 ACS 3-year estimates, Bureau of Labor Statistics

American Community Survey 2006-2008 data showed that the largest numbers of residents within the City of Burlington were employed in the Education, health and social services industry (26.7 percent), followed distantly by Manufacturing (20.6 percent) and Retail trade (13.6 percent). These same industries ranked in the top three in 2000, with Manufacturing in the top position (28.0 percent) and Education, health and social services second (20.7 percent). Retail trade remained third at 11.4 percent. Manufacturing also ranked first ten years earlier (33.5 percent) and Retail trade second (17.3 percent), with Education, health and social services in the third position (16.5).

The graph below illustrates the distribution of the City of Burlington employed residents by industry in all three years. The quick rise of the Education, health and social services industry and the decline of Manufacturing are clearly visible in the illustration.

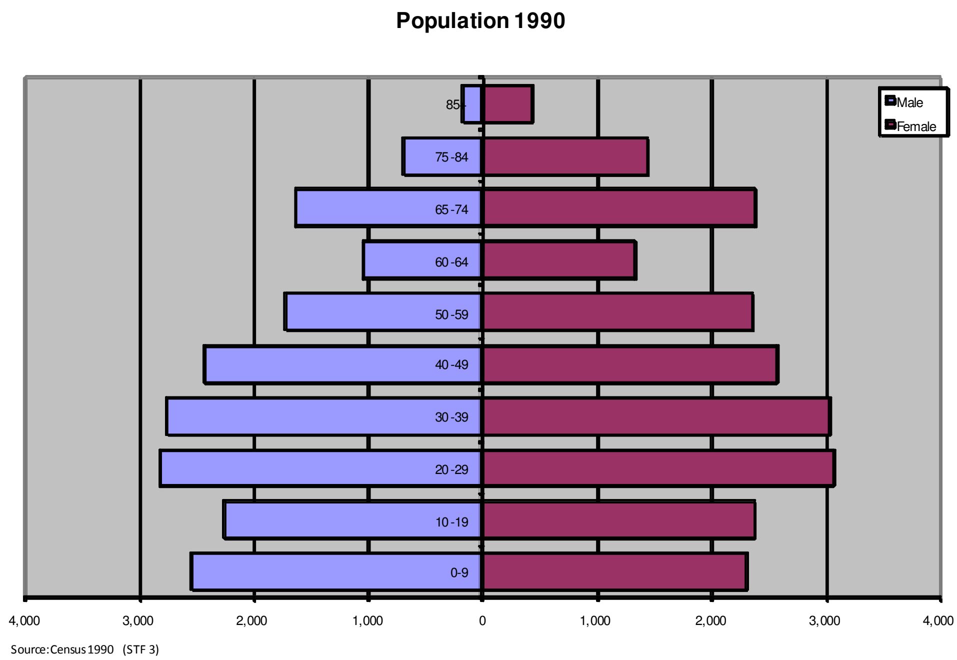


Demographic Profile

POPULATION

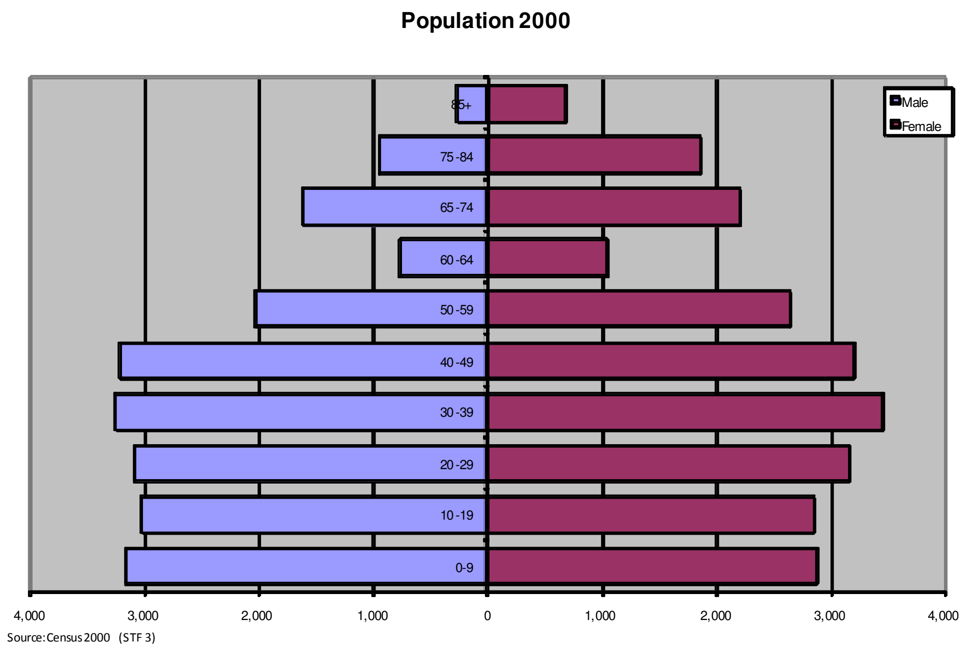
The population of the City of Burlington rose by 15.2 percent between 1990 and 2000 (from 39.368 to 45,363), while the population throughout the county increased by a significantly higher rate of 20.9 percent. The following population pyramids display the change in the city's age distribution during this time period.

As illustrated by the first pyramid, the most populated cohort in 1990 was those aged 20-29 years (15.0 percent), followed by those aged 30-39 (14.7 percent) and 40-49 (12.7 percent), when these three groups together comprised 42.4 percent of the population—essentially representing families with young children.

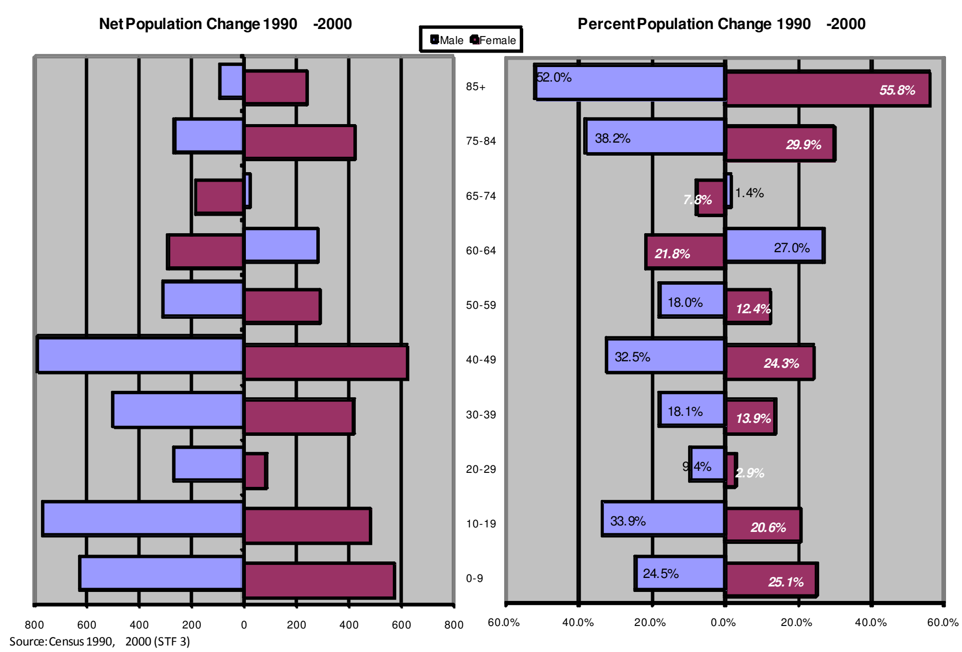


The 2000 pyramid illustrates that most of the shift in age distribution is attributable to the aging of the population. Those aged 30-39 now represented the largest cohort, but in a slightly smaller proportion than ten years earlier (now, 14.8 percent). The same is true of those aged 40-49, who represented 14.2 percent of the population in 2000. Those aged 20-29 comprised the third largest cohort at 13.3 percent. Together, these three cohorts made up 42.7 percent of the total population in 2000. By that same year, those aged 0-9 and 10-19 comprised an additional 26.3 percent, at nearly equal proportions.

The greatest growth from 1990 to 2000 was experienced among those aged 40-49, growing by 1.4 points to comprise 14.2 percent of the population, while the cohort represented by ages 60-64 lost the greatest percent in the population, causing their ratio to drop by nearly 2.1 points. With the exception of those aged 20-29, all cohorts under age 50 declined in terms of their percent in the population. Among those aged 50 and over, the population of those aged 60 to 74 decreased, while all others increased numerically.

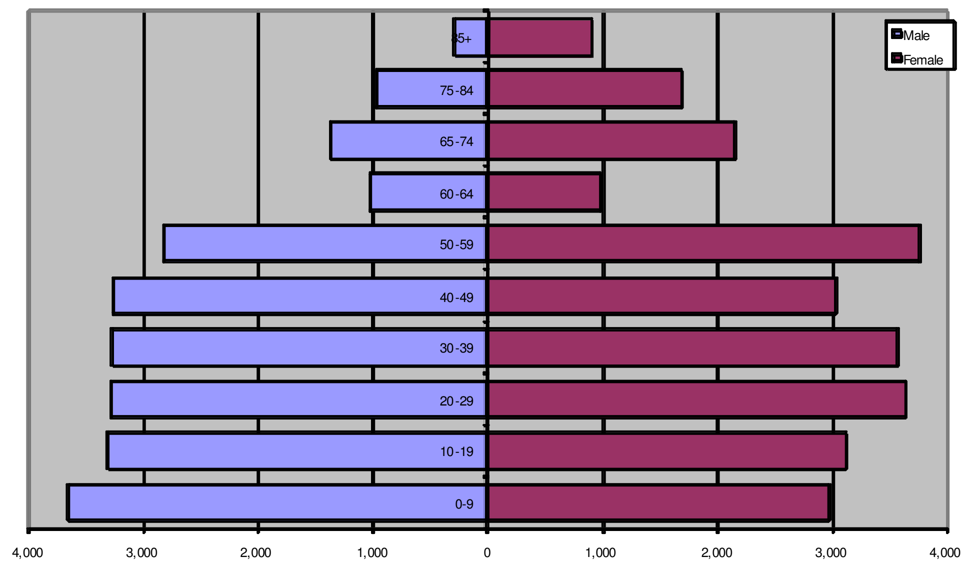


These changes are illustrated in the graph below, which shows the net and percent changes by cohort from 1990 to 2000. Blue bars on the left represent increase of male population, while red bars on the right represent increases among females. When the bars are reversed, this illustrates a loss in the population, such as occurred in the cohorts of those aged 60 to 64 and those aged 65 to 74.



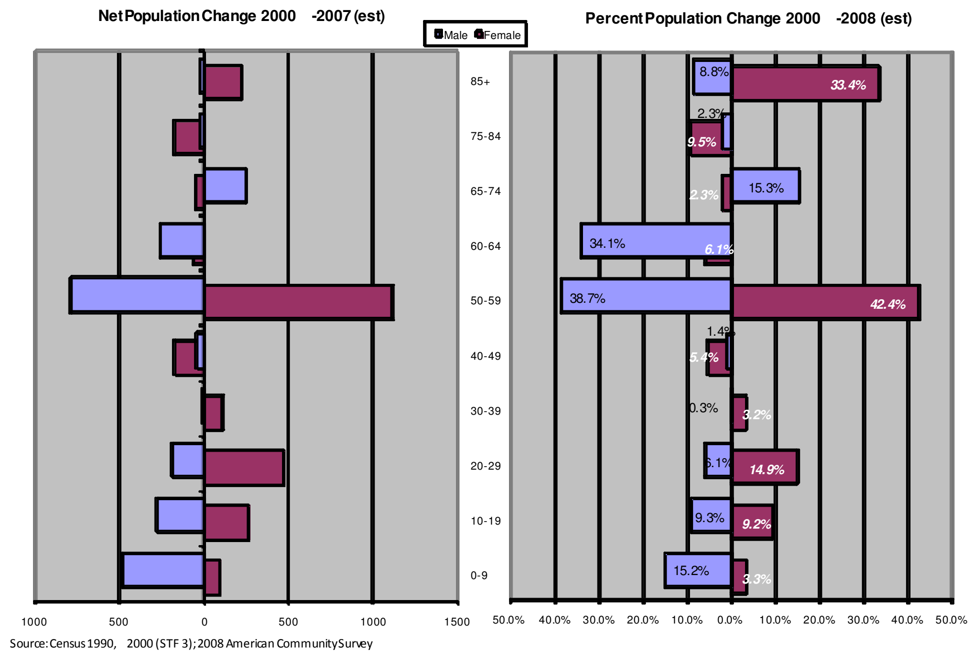
American Community Survey 2008 data estimate that the largest cohort is now those aged 20-29 in slightly greater proportion than ten years earlier (14.1 percent, as compared to 13.8). By 2008, those aged 30-39 comprised the second largest cohort in the City of Burlington (13.9 percent), with the "infant cohort" of those aged 0-9 close behind (13.5 percent).

Population 2008



Source: 2008 American Community Survey

The greatest point gain was among persons aged 50-59, which increased by 3.1 points. Where the three largest cohorts in 2000 were made up of those aged 20 to 49, (comprising 42.7 percent of the population), the three largest cohorts in 2008 were those aged from 20 to 39, and 0 to 9, inclusive, comprising 41.6 percent of the population. In part, this supports the declining median age of the population over the study period. At the same time, the highest percent loss was experienced by those aged 40-49, the 1.3-point decline representing the loss of 130 individuals. Those aged 65 to 74 experienced the greatest numeric population loss (1.2 points, representing nearly 300 individuals). The only other cohort to lose population was those aged 75-84, declining by less than 1 point and decreasing by about 150 individuals.



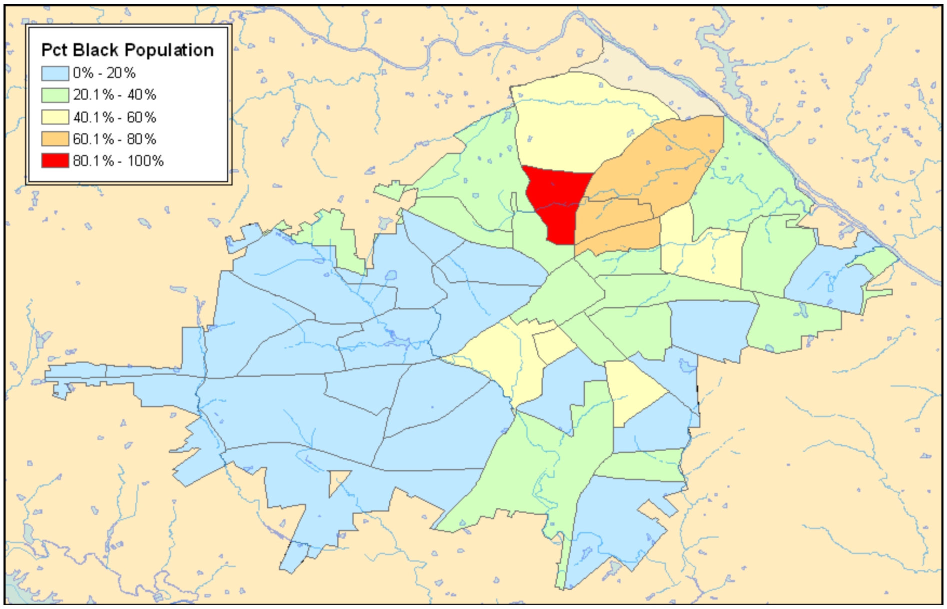
RACE/ETHNICITY

In 2000, the City of Burlington's population was 66.2 percent White, 25.1 percent Black, 0.6 percent American Indian/Alaska Native, 1.7 percent Asian, 4.8 percent some other race, and 1.5 percent two or more races. The Hispanic population comprised 9.5 percent of the city's total population.

2006-2008 American Community Survey estimates report a slight shift in population composition, indicating the population to be 57.0 percent White, 26.4 percent Black, 0.2 percent American Indian/Alaska Native, 1.1 percent Asian, 13.6 percent Other and 1.6 percent two or more races. The Hispanic population had increased to 16.4 percent.

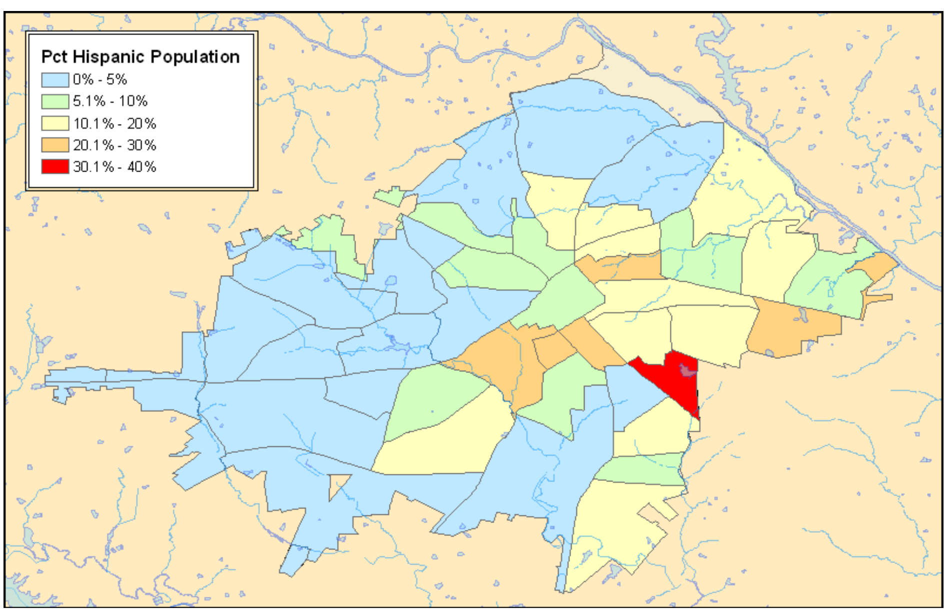
The map below illustrates the distribution of the black population in the City of Burlington in 2000. Shaded red on the map below, the highest concentration is indicated north of the city center, where the black population comprises more than 80 percent of the block group (0204.00-5). Black resident comprise between 60 and 80 percent of the population in the three adjacent block groups directly to the east (0204.00-3, 0204.00-4, and 0204.00-6).

Figure 1: Percent Black Population (2000)



In 2000, the City of Burlington's Hispanic residents were primarily concentrated in block group 0208.00-5, located south and east of the city center, where they comprise between 30 and 40 percent of the population. Surrounding this block group, but not immediately adjacent, are five block groups where Hispanic resident comprise between 20 and 30 percent of the population.

Figure 2: Percent Hispanic Population (2000)



HOUSEHOLD CHARACTERISTICS

While slightly below the 1990 rate, families were still the most prevalent type of household, comprising 64.9 percent of all households in 2000. Of these, 65.6 percent were small (2 to 4 persons) family households. According to American Community Survey estimates, family households have become slightly more prevalent in Burlington, estimated to have increased to 66.6 percent of all households by 2008.

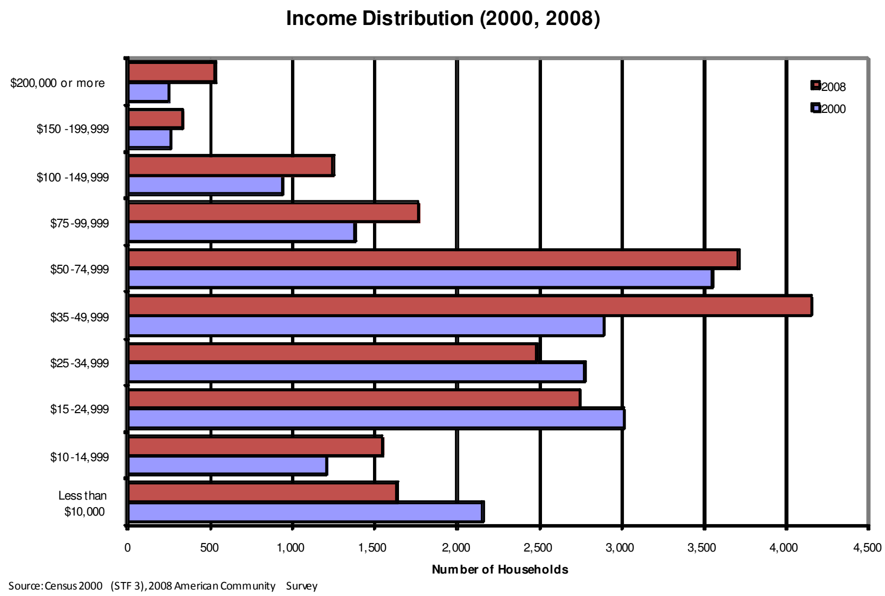
The table below shows the total number of households by type in the City of Burlington in 1990, 2000 and 2008. Households with persons 65 years or older accounted for 26.7 percent of all households in 2000.

Households by Type

	1990		2000		2008	
Household Type	**Number**	**% of Total**	**Number**	**% of Total**	**Number**	**% of Total**
Total Households	16,728	100.0%	18,397	100.0%	20,147	100.0%
Family Households	11,325	67.7%	11,942	64.9%	13,426	66.6%
Non-Family Households	5,403	32.3%	6,455	35.1%	6,721	33.4%
Large Families (5 or More)	N/A	N/A	1,499	12.6%	N/A	N/A
Small Families (2 to 4)	N/A	N/A	7,837	65.6%	N/A	N/A
65 and older (families & non-families)	N/A	N/A	4,919	26.7%	N/A	N/A

INCOME PROFILE

The City of Burlington's median income in 2000 was $35,301, which is 9.9 percent below the overall county median income of $39,168. In 2000, the income range with the highest percent of households in the City of Burlington was from $50,000 to $74,999, with 19.3 percent of the population earning in this range. The second highest earning level was $15,000 to $24,999, with 16.4 percent of households at this level. At the same time, 11.7 percent of households earned less than $10,000, and 6.5 percent earned between $10,000 and $14,999. Together, 34.6 percent of the city's households had incomes of less than $25,000 per year.

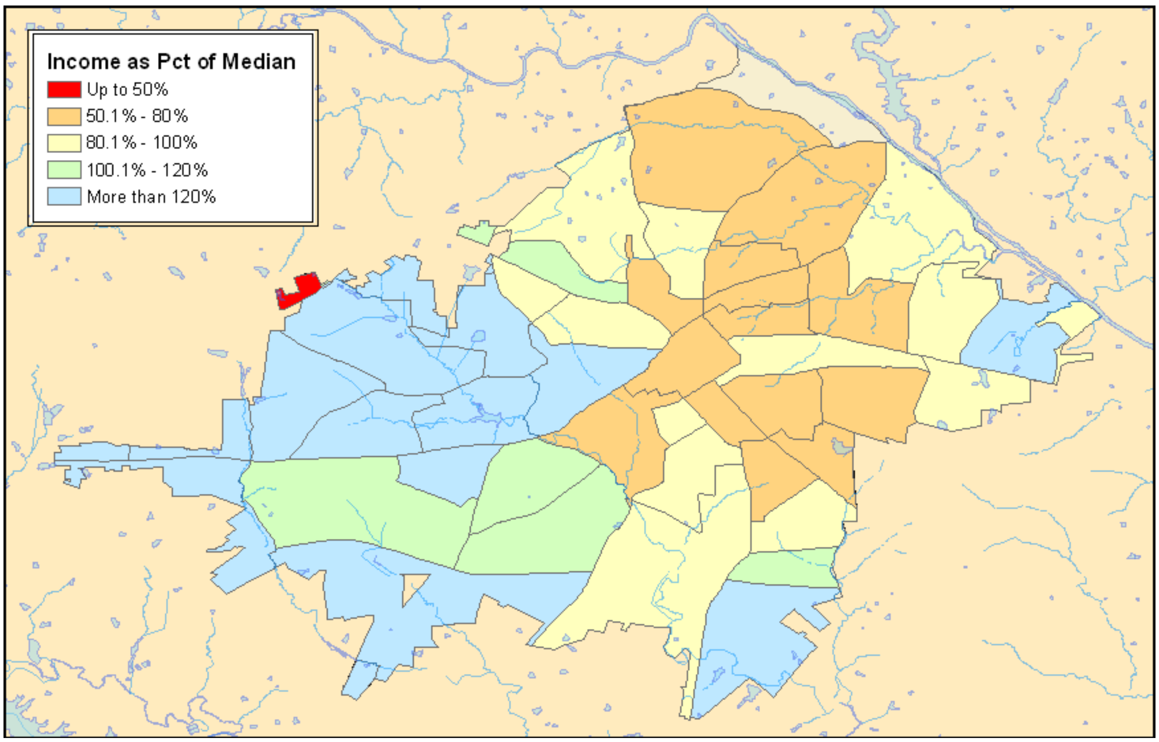


By 2008, the median income was estimated to have risen to $41,544—a 17.7 percent increase. At the same time, the median income in the county overall was estimated to be $43,138, representing a 10.1 percent increase countywide. The effect of the higher increase citywide than throughout the county resulted in the city median income dropping from 9.9 below that of the county to just 3.7 percent below.

ACS 2006-2008 estimates indicate that the highest percent of households now were those who earned between $35,000 and $49,999 (20.6 percent), followed by those earning between $50,000 and $74,999 (18.4 percent). Households earning less than $10,000 and those earning from $10,000 to $14,999 are now represented by 8.1 and 7.7 percent of households, respectively (15.8 percent of all Burlington households, combined). Furthermore, those earning between $15,000 and $24,999 fell to 13.6 percent. Together, 29.4 percent of the city's households had incomes of less than $25,000 per year.

The map below geographically illustrates economic stratification in the City of Burlington, comparing each census tract's median income to that of the entire city. The only block group with a median income of less than 50 percent of the city's median income is 0205.00-3, located to the west, at the northern boundary (represented in red below). A grouping of low income census tracts is readily apparent by the orange shading from north to south, on the eastern side of the city. Three of these block groups (0204.00-3, 0204.00-4, and 0204.00-6) are also those with high concentrations of black population (between 60 and 80 percent). Three have Hispanic populations of over 20 percent (0202.00-1, 0208.00-1, and 0201.02-3), and one has a Hispanic population of more than 30 percent (0208.00-5). Wealthier households predominate west of the city center, where the population is predominantly white. One notable exception is block group 0217.00-1, where the population is less than 20 percent black and less than 5 percent Hispanic, but the median income is below 50 percent of the area's median.

Figure 3: Income Distribution (2000)



According to HUD, the current (2010) median income for a family of four in the City of Burlington is $56,500. The table below provides 2010 income limits by family size.[5]

5 U.S. Department of Housing & Urban Development: Annual Income Limits for the CD Program, March 2010

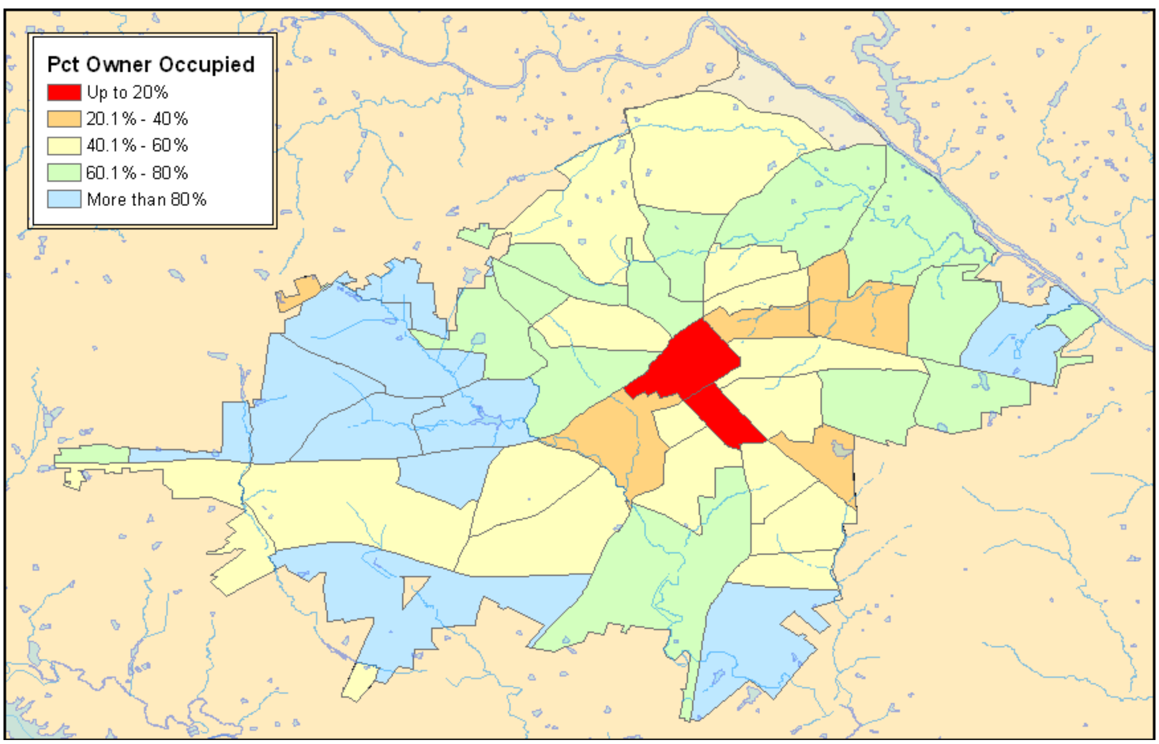
Income Limits 2010

Family Size	**1**	**2**	**3**	**4**	**5**	**6**
Income Limit	30,150	34,450	38,750	43,050	46,500	49,950

TENURE

Tenure is calculated as tenant or owner occupancy as a proportion of occupied housing units. In 1990, the city's homeownership rate was 61.7 percent, which was more than 9 points below the county rate of 72.0 percent, and lower than the national rate of 66.2 percent. The rate declined to 59.6 in 2000, while the county rate slipped to 70.1 percent. Both rates were estimated to have declined again in 2008 when the county rate was estimated at 66.2 percent and homeownership in the City of Burlington was an estimated 55.4, while the estimated 2008 national rate was 66.9 percent. The map below shows the distribution of the 10,895 owner-occupied households throughout the City of Burlington in 2000.

Figure 4: Homeownership (2000)



While it is no surprise that areas with high income levels would also have high rates of homeownership, it is somewhat unexpected to discover the rather high homeownership rate of between 60 and 80 percent combined with median household incomes of just between 50 and 80 percent of the city's median in block groups 0204.00-3 and 0202.00-4, both located east of the city center and illustrated in green above. The combination of high homeownership rates and low incomes, such as described by these findings, indicates stable populations living in homes of older construction that may no longer have mortgages, thus alleviating a housing payment.

It is not surprising that areas with high income levels also have high rates of homeownership. However, in general, the City of Burlington has rather low homeownership rate.

Overview of Housing Supply

In 2000, there were 19,528 housing units in the City of Burlington, a net increase of 17.3 percent over that in 1990.[6] The housing stock increased by an additional 12.2 percent between 2000 and 2008 to an estimated 21,906 total housing units[7].

Housing Units by Tenure						
Units	2000		2008		Change	
	Number	Percent	Number	Percent	Number	Percent
Owner-Occupied	10,895	55.8%	11,164	51.0%	269	2.5%
Renter-Occupied	7,395	37.9%	8,983	41.0%	1,588	21.5%
Vacant	1,238	6.3%	1,759	8.0%	521	42.1%
Total	19,528	100.0%	21,906	100.0%	2,378	12.2%

Age and Condition

Based on the 2000 census, 43.3 percent of the total housing stock in the City of Burlington was built in 1959 or earlier, and is, therefore, now more than 50 years old. These data also indicate that nearly 75 percent of the housing stock was built prior to 1980, making lead-based paint a potential hazard.

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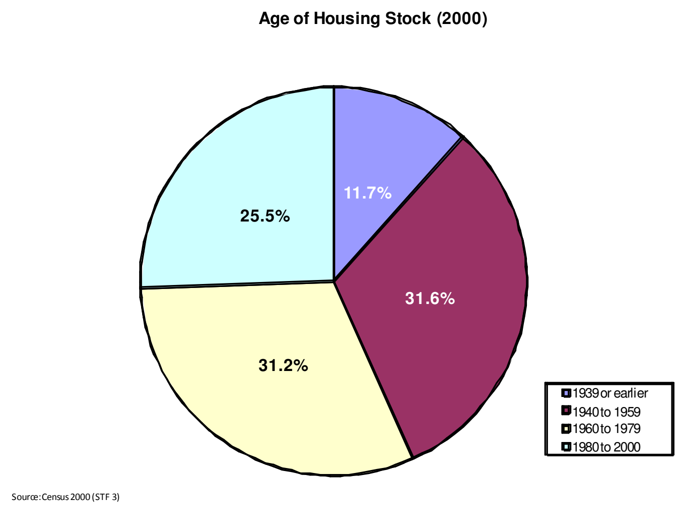
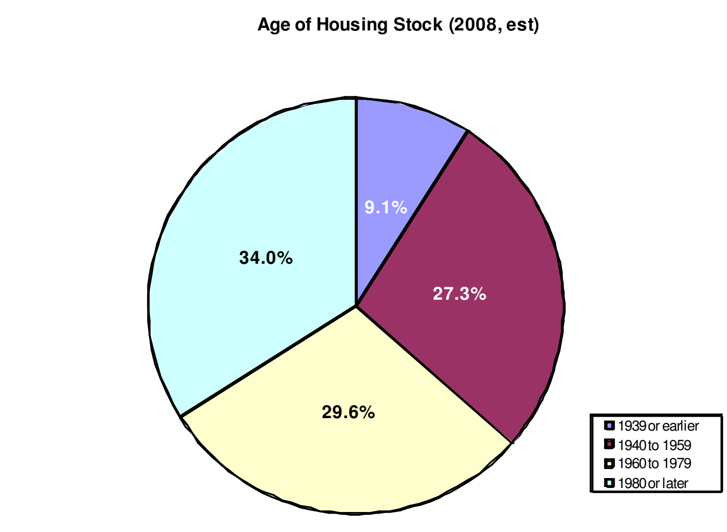
[6] Census 1990, Summary File 3, HO27: Tenure By Year Structure was Built (Housing Units) and Census 2000, Summary File 3, HO27: Tenure By Year Structure was Built (Housing Units),

[7] Census 2000, Summary File 3, HO27: Tenure By Year Structure was Built (Housing Units) and 2006-2008 American Community Survey 3-Year Estimates, B25034: Year Structure Built (Housing Units).



2008 American Community Survey estimates indicate that 36.4 percent of the city's housing stock was built prior to 1959, suggesting that some older housing units were lost from the housing inventory in the eight-year interim. Additionally, the percent of housing stock built prior to 1980 decreased to 66.0 percent, indicating loss of some newer stock.



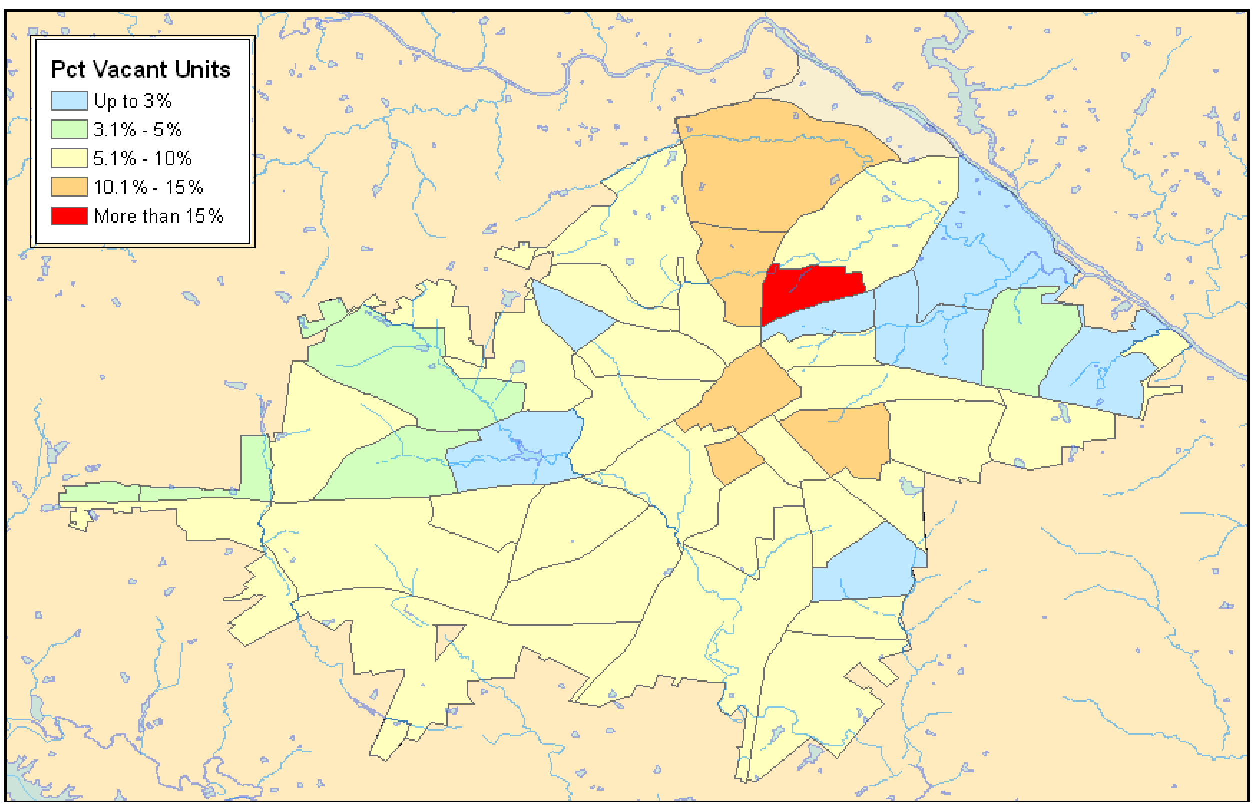
When compared to the national average of 56.0 percent built since 1980, the City of Burlington's housing stock is considerably older than most. Most older stock can be expected to need substantial financial investments in major structural systems to continue to remain sound and livable. For low-income owners, these repairs are frequently unaffordable, and deferred maintenance hastens the deterioration of their units. For low-income renters, their housing does not generate enough revenue for landlords to make improvements without raising rents.

VACANT UNITS

Vacancy is a proportion of unoccupied units to all housing units. The map below shows the distribution of vacancies throughout the City of Burlington. The highest vacancy rate (29.1 percent) is found in block group 0204.00-4, near the city center. This particular block group also stands out as one of low incomes (70.6 percent of the area median), and a rather low rate of homeownership: of the 268 occupied housing units, just 145 are owner-occupied (54.1 percent). Also significant is that 60 to 80 percent of this block group's residents are residents, and up to 20 percent are Hispanic.

Other areas of high vacancy are located primarily north of the city center, predominantly in areas of income levels between 50 and 80 percent of the median.

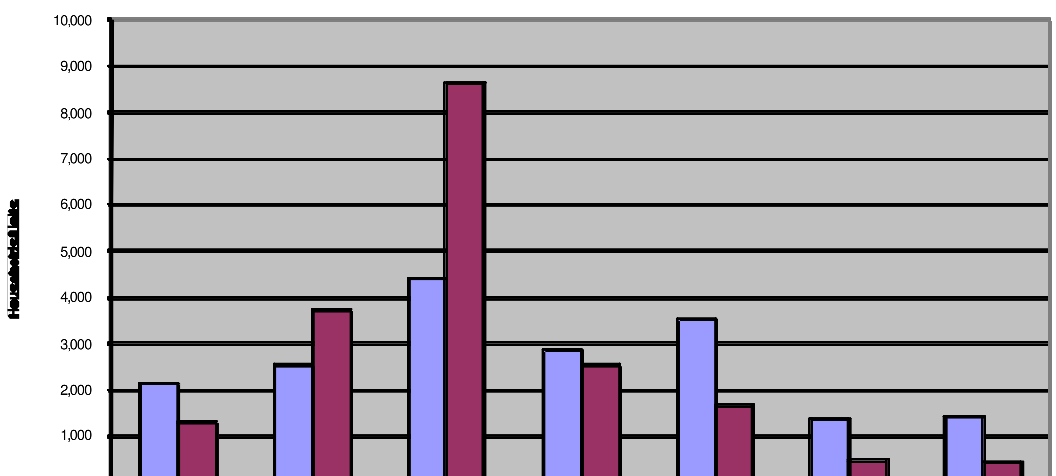
Figure 5: Percent Vacancies by Block Group (2000)



HOUSING DEMAND VERSUS SUPPLY

The following two graphs compare the housing demand versus the housing supply in the City of Burlington as of 2000. The first displays the total number of households distributed among their affordable home ranges (both rental and owned units). In this graph, the term *demand* represents the numbers of households at each income level shown ($0-$9,999, $10,000-$19,999, etc.). The term *supply* represents all housing units—that is, rented and owned, occupied and vacant—valued at appropriate affordability for each income level.

In 2000 there were 2,154 households that earned less than $10,000. Assuming that an affordable home value is roughly three times a household's annual income, this income group can afford a home valued at no more than $29,999. In 2000 in the City of Burlington, there were 1,297 homes valued in this range, falling short by nearly one third in housing for households at this income level.



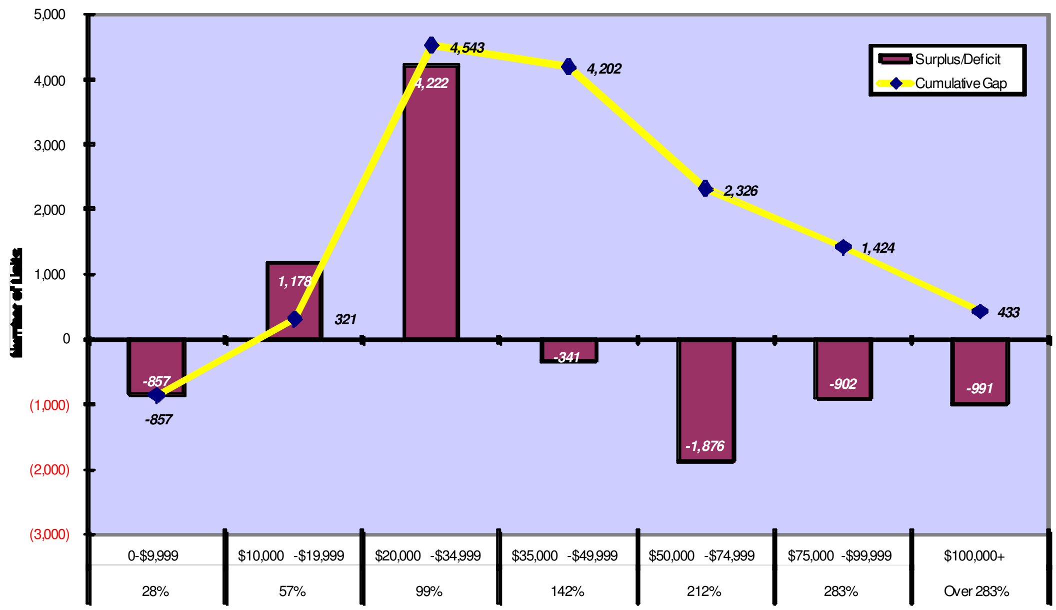
	0-$9,999	$10,000 -$19,999	$20,000 -$34,999	$35,000 -$49,999	$50,000 -$74,999	$75,000 -$99,999	$100,000+
Demand	2,154	2,555	4,431	2,890	3,548	1,380	1,439
Supply	1,297	3,733	8,653	2,549	1,672	478	448

There is also a lower supply than demand for all income levels above $35,000, illustrating that high-income households purchase homes below their affordability levels, causing them to compete for housing with those at lower incomes.

The graph below shows the gap between the supply and demand of housing units at each income level. For example, the demand for 2,154 units and supply of 1,297 (above) creates a gap of 858 units (see graph below and table above). In other words, there were 858 more households earning up to $9,999 annually seeking housing than there were housing units in their affordability range.

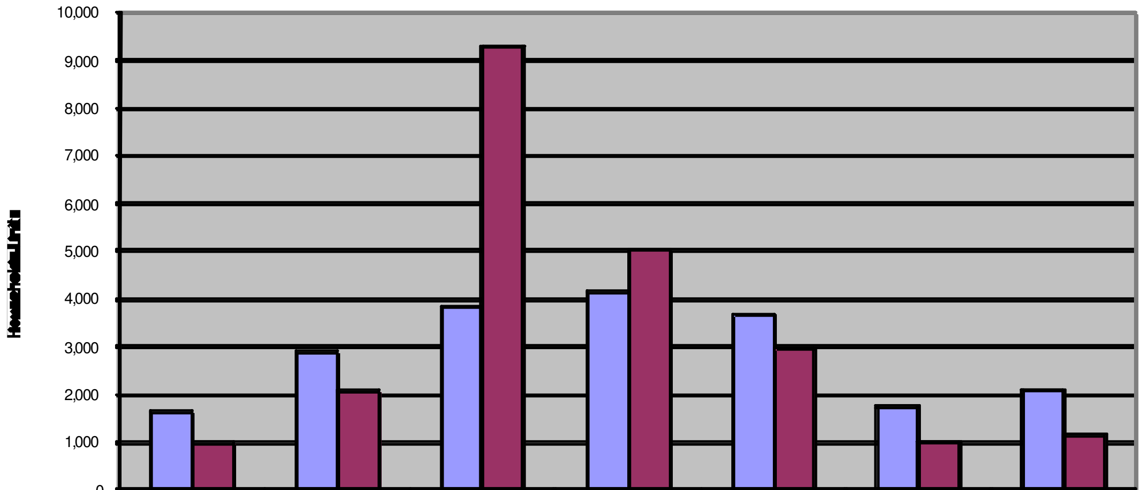
At the next level, the demand of 2,555 units and supply of 3,733 creates a gap of 1,789 units in excess of demand. When households from the income level below accept housing at a higher level than they can afford, the cumulative effect is ample housing for households earning less than $20,000. Combining these with the deficit of 857 units from the previous income level creates a net surplus of 321 housing units for households at these two income levels combined.

A review of the cumulative housing supply and demand (yellow line) shows that in 2000 there was ample housing for all households, and cumulative surplus of 433 units (as of the 2000 Census). This surplus indicates that there are sufficient units for all households earning more than $10,000 that accept living in housing at or below their affordability levels. However, the shortage of housing for households earning incomes above $35,000 means that all households in Burlington are competing for housing priced in the affordability ranges that correspond to those earning between $10,000 and $34,999.



Source: Census 2000 (STF 3)

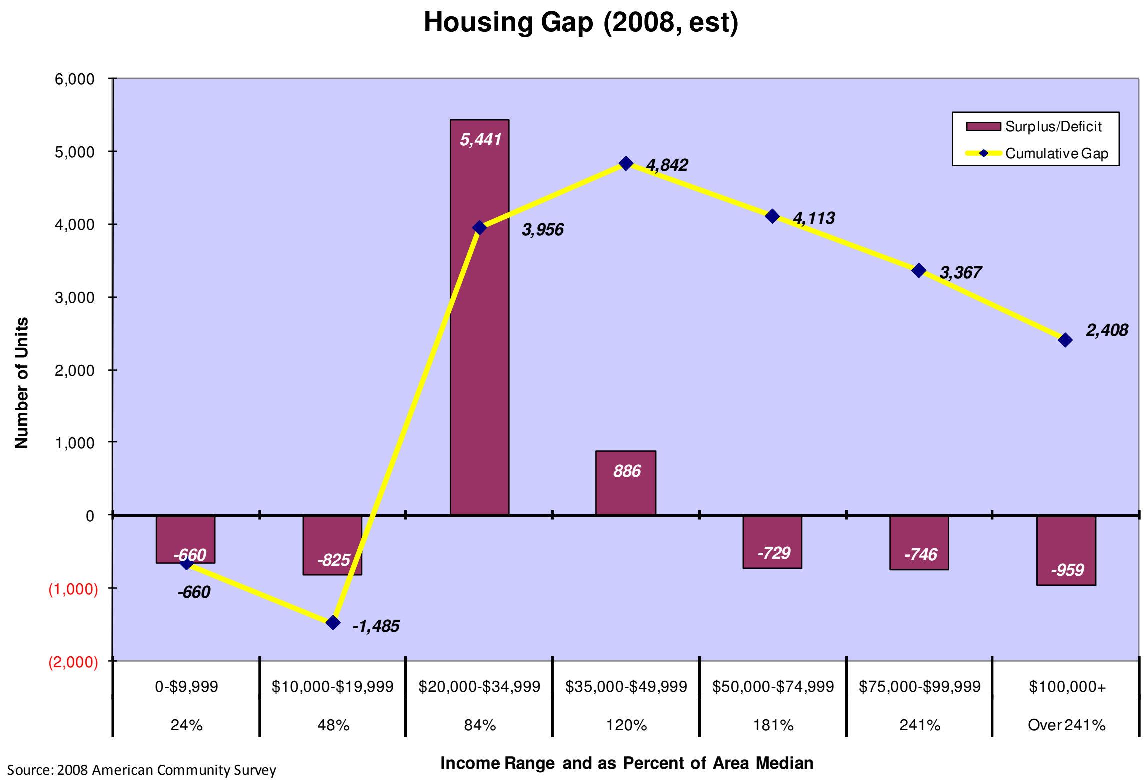
Estimates from the 2008 American Community Survey suggest the shifts illustrated in the following graphs. Housing availability appears to have improved for households earning from $20,000 to $49,999, but still falls short of demand at the lowest and highest levels, now impacting more lower-income households.



	0-$9,999	$10,000 -$19,999	$20,000 -$34,999	$35,000 -$49,999	$50,000 -$74,999	$75,000 -$99,999	$100,000+
Demand	1,641	2,915	3,852	4,153	3,708	1,765	2,114
Supply	981	2,090	9,293	5,039	2,979	1,019	1,155

The demand for 1,641 units and supply of 981 at the lowest level reveals a gap of 660 units—somewhat smaller than the gap of 857 in 2000. Important to note is that a home priced at less than $30,000 in 2000 was available to households earning up to 28 percent of the area's median income. By 2008, this home was available to those earning up to just 24 percent of the area's median income. Because the price of the home is held constant against a rising median income, the affordability measure decreases.

At the next price point, the demand for 2,915 units and supply of 2,090 units falls short of the needs of households earning from $10,000 to $19,999, and represents a continued deficit of housing for those with incomes below 48 percent of the area's median. Relief for the unmet needs of the high demand and low supply does not occur until the excess of 3,956 housing units for those who earn 84 percent of the area's median income (up to $34,999). Furthermore, the continued shortage of housing units at the highest levels causes the highest earners to compete with those from lower income levels for housing priced near and well above the median. Ultimately, the City of Burlington has an estimated net surplus of 2,408 housing units.



HOUSING AFFORDABILITY

Housing affordability is calculated as 30 percent of income for rent, and 28 percent of income for homeownership. The difference is to allow for additional costs, such as utilities, that are customarily included in a tenant household's rent, but are borne by the household's income as homeowners.

In the City of Burlington, the current median cost for a home is $122,500[8]. Presuming a down payment of 5 percent ($6,125) and an interest rate of 4.75 percent, an estimated monthly payment (PITI) of $605 makes the home affordable to a household earning $25,935 (or 62.4 percent of the area's median income).

According to the National Low-Income Housing Coalition's "Out of Reach" database, in 2009, the City of Burlington's median gross rent for a two-bedroom unit was $766. As 30 percent of annual income, this rent would be affordable to a household earning $30,640, or 73.8 percent of the area's median income. Three-bedroom rental housing was reported to cost $1,040.

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8 Retrieved from www.realtor.com, accessed 10/22/10.

Affording this rent requires an annual income of $41,600, and is affordable to households earning 100.1 percent or more of the area's median income. In general, rental housing in the City of Burlington is affordable for those who earn an income near the city's median.

The first table on the following page illustrates the income needed to afford a home of the 2010 median home value in the City of Burlington, based on interest rates of 4.75 and 5.25 percent with a 5-percent down payment.

The second table illustrates the price of a home that households paying the 2009 Fair Market Rent (FMR) for two- and three-bedroom units can afford, if they were to own rather than rent. These charts assume an affordable rental housing cost to be 30 percent of a household's monthly income and an affordable ownership cost to be 28 percent.

Assuming a 28 percent affordability index, the results of the analysis show that a median-priced home in 2010 is affordable to a household earning between $25,935 and $27,531 (or from 62.4 to 66.3 percent of the AMI). This assumes that the household can provide a down payment of 5 percent.

This analysis further examines the affordability of rental housing in the City of Burlington in comparison to the cost of homeownership. A household paying the 2009 fair market rent (FMR) for a 2-bedroom rental unit with no funds available for a down payment can afford a home between 106 and 112 percent of the 2009 median home value in the City of Burlington; that is, a home priced between $129,517 and $137,487. A household paying the 2009 fair market rent (FMR) for a 3-bedroom rental unit with no funds available for a down payment can afford a home between 144 and 152 percent of the 2009 median home value in the City of Burlington, or one that is priced between $175,845 and $186,667. A recent search of homes for sale revealed the lowest priced home in the City of Burlington to be $14,900, with 394 homes priced below $122,500.[9]

[9] Search conducted 11/4/10 at www.realtor.com.

Homeowner and Rental Housing Affordability

Area Median Income	$ 41,544.00
Affordable Monthly Housing Cost	28% monthly income

Homeowner Housing

Annual Wage (and % AMI) and Down Payment Needed to Buy Various Priced Homes (at 4.75% interest rate)

	Sales Price	Down Payment	Mortgage Amount	Monthly Mortgage at 4.75% interest	Total Monthly Cost**	Required Annual Income	Percent of AMI
Median Value of Owner-Occupied Unit, 2010*	$122,500	$6,125	$116,375	$605	$629	$25,935	62.4%

Annual Wage (and % AMI) and Down Payment Needed to Buy Various Priced Homes (at 5.25% interest rate)

	Sales Price	Down Payment	Mortgage Amount	Monthly Mortgage at 5.25% interest	Total Monthly Cost**	Required Annual Income	Percent of AMI
Median Value of Owner-Occupied Unit, 2010*	$122,500	$6,125	$116,375	$642	$668	$27,531	66.3%

* Median Home Value source: calculated from data retrieved from www.realtor.com on 10/22/10

** Includes property taxes, homeowner & mortgage insurance (if required)

Rental Housing

Comparable Monthly Rent and Mortgage/Tax/Insurance Payments

	Monthly Housing Expense	Comparable Monthly Mortgage	Affordable Purchase Price 4.75% interest	Affordable Purchase Price 5.25% interest	Required Annual Income	Percent of AMI
2010 FMR (2-bedroom)	$766	$715	$137,487	$129,517	$30,640	73.8%
2010 FMR (3-bedroom)	$1,040	$971	$186,667	$175,845	$41,600	100.1%

HOUSING PROBLEMS

By Department of Housing and Urban Development (HUD) standards, there are three criteria by which a household is determined to have a housing problem:

- If a household pays more than 30 percent of its gross monthly income for housing, it is considered *cost burdened*. HUD considers households that pay more than 50 percent of their income on housing costs to be *severely cost burdened*.
- If a household occupies a unit that lacks a complete kitchen or bathroom, the unit has a *physical defect*.
- If a household contains more members than the unit has rooms, the unit is *overcrowded*.

Based on HUD's definition, 33.0 percent of the City of Burlington renters (2,435) were cost-burdened in 2000, including 15.2 percent (1,122) who were severely cost-burdened. A somewhat smaller percent of homeowners with a mortgage experience this housing problem: 19.3 percent (2,102) were cost-burdened, including 7.2 percent (784) who were severely cost burdened.

According to the 2000 Census, 67 households (0.4 percent) lacked adequate plumbing facilities—49 owners (0.4 percent) and 18 renters (0.2 percent). At the same time, 88 households (0.5 percent) lacked complete kitchen facilities—9 owners (0.1 percent) and 79 renters (1.1 percent).

Specific data on these conditions are not available in 2008 estimates.

In 2000, 892 (4.9 percent) of the City of Burlington households were overcrowded. These were comprised of 190 owner-occupied households, or 1.7 percent of all owner-occupied households. Nearly four times as many tenant-occupied households were overcrowded: 702 or 9.5 percent of all renters.

American Community Survey estimates reported little change by 2008, indicating that overall, 3.6 percent of households were still overcrowded (723). A slight shift took place in the composition of overcrowded households, now comprised of 208 owners (1.9 percent of all owners) and improvement among renters with 515 (5.7 percent) experiencing overcrowded conditions.

Recommendations

1. Increase housing options for households at the lowest and highest income levels to relieve the competition for median-priced homes.
2. Ascertain that low homeownership rates around the city are a reflection of a geographic area's function (i.e., commercial areas) and not a reflection of the race, ethnicity or income levels of its residents.

SECTION III: Fair Housing Status, 2010

HUD Fair Housing Enforcement Activity

HUD often directly investigates complaints of housing discrimination based on race, color, religion, national origin, sex, disability, or familial status. At no cost, HUD will investigate the complaint and attempt to conciliate the matter with both parties. If conciliation fails, HUD will determine whether "reasonable cause" exists to believe that a discriminatory housing practice has occurred. If HUD finds "no reasonable cause," the Department dismisses the complaint. If HUD finds reasonable cause, the Department will issue a charge of discrimination and schedule a hearing before a HUD administrative law judge (ALJ). Either party may elect to proceed in federal court. In that case, the Department of Justice will pursue the case on behalf of the complainant. The decisions of the ALJ and the federal district court are subject to review by the U.S. Court of Appeals. As of August, 2010 the following cases are being investigated by HUD Headquarters:

TABLE 3–1: CASES UNDER INVESTIGATION NATIONALLY

HUD Charges 2010 Basis of Discrimination		
Case Number	**Date Charge Issued**	**Basis of Charge**
05-09-0142-8; 05-09-0143-8	07-26-10	Disability
02-09-0997-8	06-17-10	Disability
05-09-0210-8	06-07-10	Disability
04-08-0484-8	04-07-10	Disability
02-09-0904-8	04-07-10	Disability
02-09-0753-8 and 02-09-0916-8	03/02/2010	Disability
02-09-0243-8	02-19-10	Disability

06-06-1162-8	10-08-09	Disability
05-10-0605-8 05-10-0606-8	09-30-10	Familial Status
04-08-0810-8 04-08-0813-8 04-09-0814-8	10-06-10	Familial Status
03-10-0163-8 03-10-2025-8 03-10-0162-8	08-05-10	Familial Status
01-10-0093-8	01-11-2010	Familial Status
08-07-0229-8	07-09-10	Familial Status
09-08-0480-8	06-10-10	Familial Status
02-09-0659-8; 02-09-0660-8	05-18-10	Familial Status
03-10-0065-8 03-10-0068-8	04-09-10	Familial Status
09-09-0598-8	12-10-09	Familial Status
01-09-0483-8, 01-09-0480-8, 01-09-0481-8, and 01-09-0482-8	12-01-09	Familial Status
05-09-1428-8	07-09-10	National Origin
01-10-0118-8	06-10-10	National Origin
04-08-1144-8	09-30-10	Race
04-08-1144-8	09-30-10	Race
04-08-0238-8/6	09-30-10	Race and Color
03-09-0035-8	09-08-10	Race and Color
03-08-0318-8	09-08-10	Race and Color

05-10-0519-805-10-0520-805-10-0522-805-10-0523-8	08-09-10	Race
10-08-0323-8	04-01-10	Race, national origin, familial status
05-09-0523-8	05-11-10	Race
04-09-0800-8 04-09-0801-8	12-17-09	Race
07-09-0268-8 and 07-10-0080-8	09-30-10	Sex

Burlington Title VIII Complaints

The following is an overview of the NCHRC's accomplishments during 2000-2010.

Table 3-2
Burlington/Alamance County Complaints
1/1/2000-9/30/2010

Complaint	Number of Complaints
Race	5
Race/Sex	1
Family Status	3
Disability	6
Disability/Race	3
Disability/Race/Sex	1
Disability/Family Status	1
National Origin	2
Total	22

It can be extremely difficult to detect unlawful discrimination, as an individual home-seeker, and the resolution of these complaints, following investigation, is also important to consider. Note, the following definitions:

Administrative Closure—Action taken as a result of a judicial proceeding, lack of jurisdiction due to untimely filing, inability to identify a respondent or locate a **complainant, or if a complainant fails to cooperate.**

Conciliation—Parties meet to work out a resolution. Meeting is generally initiated by the equivalent agency (NCHRC) or HUD.

Withdrawal/Relief—Situation where the complainant wishes to withdraw without relief or there is relief granted following a resolution between the parties.

No Reasonable Cause—Although there may have been an action taken that appears to be discriminatory under the Fair Housing Law, there is not sufficient evidence uncovered as a result of investigation, to prove the action was in fact discrimination, or in other words one of "Reasonable Cause" to transfer to the U.S. DOJ, District Judge or the HUD Administrative Law Judge for a judicial ruling.

Reasonable Cause—As a result of investigation, that may also be considered in a conciliation or other attempted resolution action; there is sufficient evidence or "Reasonable Cause" to present the case to the (DOJ) District Judge or the HUD (ALJ), for a judicial ruling.

Table 3-3 provides the outcome of cases undertaken during the period 2000-2010.

Table 3-3 Burlington/Alamance County Outcomes 1/1/2000-9/30/2010	***Number***
Cause Findings*	11
No Cause Findings	9
Administrative and Other Closures**	1
Pending (October 1, 2010)	1
Total	22

FAIR HOUSING AND ACTIONS TAKEN TO DEAL WITH DISCRIMINATION

Even though discrimination in the private housing market is illegal, the practice still persists. The City of Burlington's Fair Housing Strategy addresses discrimination in housing through the enforcement of the City Ordinances.

Within the City of Burlington, NCHRC is responsible for the enforcement of fair housing laws, the mediation/conciliation and the litigation of fair housing complaints. The City however, educates and trains citizens in fair housing law compliance and discrimination prevention. The NCHRC receives, investigates, and monitors complaints of discrimination in housing and public accommodations.

SECTION IV: Public Sector Analysis

Overview

The Fair Housing Act generally prohibits the application of special requirements through land-use regulations, restrictive covenants, and conditional or special use permits that, in effect, limit the ability of minorities or the disabled to live in the residence of their choice in the community. If large-lot minimums are prescribed, if a house must contain a certain minimum amount of square feet, or if no multi-family housing or manufactured homes are permitted in an area, the results can exclude persons protected by the Act. If local mandates make it unfeasible to build affordable housing or impose significant obstacles, then a community must affirmatively work toward eliminating this type of impediment to fair housing choice.

The Fair Housing Acts of 1968 and 1988, as amended, also make it unlawful for municipalities to utilize their governmental authority, including zoning and land use authority, to discriminate against racial minorities or persons with disabilities. Zoning ordinances segregate uses and make differentiations within each use classifications. While many zoning advocates assert that the primary purpose of zoning and land use regulation is to promote and preserve the character of communities, inclusionary zoning can also promote equality and diversity of living patterns. Unfortunately, zoning and land-use planning measures may also have the effect of excluding lower-income and racial groups.

Zoning ordinances aimed at controlling the placement of group homes is one of the most litigated areas of fair housing regulations. Nationally, advocates for the disabled, homeless and special needs groups have filed complaints against restrictive zoning codes that narrowly define “family” for the purpose of limiting the number of non-related individuals occupying a single-family dwelling unit. The ‘group home’ arrangement/environment affords many persons who are disabled the only affordable housing option for residential stability and more independent living. By limiting the definition of “family” and creating burdensome occupancy standards, disabled persons may suffer discriminatory exclusion from prime residential neighborhoods.

The current Burlington Zoning Ordinance, Building Codes and other requirements appear to be in conformance with professionally accepted practices and not discriminatory.

BURLINGTON PLANNING AND ZONING COMMISSION

The Burlington Planning and Zoning Commission (Twelve-member Commission, six City appointees and six members from Alamance County) is the organization responsible for the administration of the Zoning Ordinance. When revisions to zoning are requested the Zoning Board of Adjustment will hear the variance request.

The Board of Adjustment is a "Quasi-Judicial" administrative body consisting of ten members. Five full-time members, along with two alternate members, are citizens and residents of the City of Burlington, appointed by the City Council. Five members, along with two alternate members, are citizens of Alamance County and reside outside the city limits but within the extraterritorial jurisdiction boundaries of the city, and are appointed by the County Commissioners. The duties of the Board of Adjustment are to hear appeals from and review any order, requirement or decision made by the Zoning Enforcement Officer, to grant Special Use Permits as required by the zoning ordinance and to grant variances to the requirements of the zoning ordinance when practical difficulties or unnecessary hardships result from carrying out the strict letter of the ordinance.

TRANSPORTATION

Transportation links are an essential component to successful fair housing. Residents who do not have access to commercial areas are limited in where they can shop for goods and services, as well as seek employment. The converse is true as well. Inadequate transportation routes limit the selection of housing to neighborhoods within transportation service areas.

Convenient roads in good repair are vital for Burlington citizens as well as Amtrak rail passenger service, ACTA (Alamance County Transit Authority), long range bus services, and a limited employment oriented transit service. Otherwise, citizens must rely on their own vehicles for transportation.

In conclusion however, limited local public transportation, as pointed out in the City’s Consolidated Plan, may contribute to lower income, as well as protected class, citizens’ inability to obtain and have access to the job market.

ACTA OVERVIEW

ACTA is a Public Authority established July 1, 2002 by the Alamance County Board of Commissioners under North Carolina General Statutes Chapter 160A, Article 25. The Authority is to provide transportation for the elderly, disabled, and general public residing in Alamance County. The Authority utilizes vans and buses which are ADA equipped, including wheelchair lifts, to assist persons with specialized needs.

MISSION STATEMENT

It shall be the mission of the Alamance County Transportation Authority (ACTA) to provide safe, economical, and effective transportation to any resident of Alamance County needing such services. This mission shall be achieved through:

1. A commitment to customer service.
2. Awareness of and attention to changing transportation needs.
3. Continuous, coordinated, and comprehensive transportation planning.
4. Marketing outreach to area agencies and businesses.
5. Sound financial management.

AREA SERVED

ACTA serves all of Alamance County. Out of county residential services are provided to Duke, Chapel Hill, and Greensboro.

SERVICES

Services provided by ACTA relate to General Public and Special Transportation needs for residents of Alamance County. These services are outlined in detail under Programs & Services on the ACTA website www.acta-nc.com.

CONSOLIDATED PLAN

The City of Burlington and the Greensboro Regional Housing Consortium carry out Federal programs administered by the U.S. Department of Housing and Urban Development. In FY 2010, the City published its Consolidated Five Year Strategic Plan, which addresses housing and community development needs during the period of FY 2010 to 2014. The one-year Action Plan describes the activities to be undertaken during the fiscal year and how the City will use Federal and local resources to accomplish the stated objectives.

The annual plan also describes how other community resources will be utilized to address the needs of the homeless, low to moderate income individuals and families, and other targeted populations. The 2010-2014 Consolidated Plan, that features extensive program targeting in the homeowner rehabilitation, homeownership, infrastructure, and public service areas, submitted to HUD for the program year beginning July 1st.

In effect, the Consolidated Plan serves as the City of Burlington's application for CDBG funds supported by the other three federal HUD programs through the Greensboro Housing Consortium (HOME), Alamance County Interagency Council for Homeless Assistance (ESG/Supportive Housing), and Housing Opportunities for Persons with AIDS (HOPWA) vouchers supported by the Graham Housing Authority in partnership with the Eastern Triad HIV Consortium to provide additional housing opportunities for persons with AIDS, as well as the Burlington Housing Authority.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

Grants awarded to urban communities on a formula basis to support affordable housing and community development activities. The Community Development Block Grant (CDBG) program is used to plan and implement projects that foster revitalization of eligible communities. The primary goal of the program is the development of viable urban communities. Program objectives include the provision of decent housing, a suitable living environment and expanded opportunities principally for low- to moderate-income individuals and families. Burlington has been an entitlement community for over 36 years and receives its CDBG allocation directly from HUD.

- Acquisition/Rehabilitation
- Homebuyer Assistance
- Homeless Assistance
- Economic Development
- Public Improvements
- Public Services

HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

Grants awarded for the development and rehabilitation of affordable rental and ownership housing for low income households. The HOME Investment

Partnership (HOME) program is used to assist in developing affordable housing strategies that address local housing needs. HOME strives to meet both the short-term goal of increasing the supply and availability of affordable housing and the long-term goal of building partnerships between state and local governments and nonprofit housing providers. Burlington receives its HOME funding through the Greensboro Consortium and also administers Alamance County's share for the balance of County.

Housing Opportunities for Persons with AIDS (HOPWA)

Grants awarded to design long-term comprehensive strategies for meeting the housing needs of low income people living with HIV/AIDS.

Emergency Shelter Grant Program (ESG)

Grants awarded to implement a broad range of activities that benefit individuals and families who are homeless.

Affordable Housing Needs and Activities

The Burlington Community Development and Housing Programs are designed to implement various housing assistance strategies that include rehabilitation and down payment assistance. The City's community and neighborhood development activities are designed to:

- Assist with neighborhood improvement projects
- Assist homeowners, including elderly and disabled
- Provide housing rehabilitation
- Help low to moderate-income residents acquire needed information, knowledge and skills
- Provision of public services

The City's community and neighborhood development activities are designed to assist with neighborhood improvement projects, provide public services, help low- to moderate-income residents acquire needed information, knowledge and skills to build their capacity, and enhance the provision of public services.

- Housing and neighborhood improvement needs and activities are described 2010-14 Consolidated Plan Strategic plan.
- Working with the Greensboro Consortium, provide HOME and CHDO funding to a non-profit organization designated as a Community

Housing Development Organization (CHDO) to undertake an eligible HOME activity.

- Housing assistance for AIDS victims is provided through Housing Choice Vouchers of the Graham Housing Authority in support of the HOPWA Program.
- Assistance to the homeless is provided through the ESG Program and various federally-funded SHP Programs through the Continuum of Care.

Affordable Housing Priorities

Faced with the reality of limited Federal and local government resources for housing, Burlington and Alamance County have been challenged to create comprehensive, affordable housing programs to meet the demands of priority needs households along the entire housing continuum—rental, ownership, special needs, supportive housing, etc. While the unmet need for rental housing for extremely low income households might suggest that all resources should be devoted to addressing this gap, resources must also be devoted to addressing the housing needs of low and moderate income households that have cost burdens and other housing problems to ensure the housing continuum is intact and flowing. This includes enabling more homeownership among these income groups, which the City has determined is important for stabilizing families and neighborhoods. It also includes preserving the existing affordable housing stock, also key for neighborhood revitalization particularly in East Burlington.

To meet the needs of households along the entire housing continuum, the City has identified the housing rehabilitation, new housing construction, homeless needs, and economic development training as its top priorities for using CDBG, HOME and other public funds between 2010 and 2014 for affordable housing.

Institutional Structure

The Burlington Planning and Community Development Department is the lead agency implementing the strategies for addressing housing and community development needs identified as part of its consolidated planning process. The Department, with City Council approval, oversees the Burlington's allocation of CDBG funds and is responsible for maintaining records, overseeing work done using these federal funds and reporting information to HUD concerning the performance of these programs. The

Greensboro Housing Consortium is the administrator of the Home and CHDO Project. The Burlington Housing Authority is responsible for the development and maintenance of the City's public housing and the Graham Housing Authority handles Section 8 within the City including HOPWA. The member agencies of the Continuum of Care continue to address the ongoing needs of the homeless and persons with special needs. The City also coordinates its efforts with other local, state and federal institutions to address specific needs or to implement new programs. Affordable housing in the City is provided through a combination of public agencies, nonprofit organizations, private sector developers and lenders. In many cases, individual housing providers focus their efforts on specific income groups, tenure types or on providing certain types of housing and supportive services.

Intergovernmental Cooperation

The City has enjoyed positive relationships with the Greensboro Consortium, regional Housing Authorities, Alamance County, and Continuum of Care Agencies for many years. The City Staff and the other Agencies work cooperatively and share information relative to the City's strategies to address housing and other community development needs.

Lead-Based Paint Hazard Reduction

Lead poisoning is one of the worst environmental threats to children in the United States. While anyone exposed to high concentrations of lead can become poisoned, the effects are most pronounced among young children. All children are at higher risk to suffer lead poisoning than adults; but children under age six are even more vulnerable because their nervous systems are still developing. At high levels, lead poisoning can cause convulsions, coma, and even death. Such severe cases of lead poisoning are now extremely rare, but do still occur. At lower levels, observed adverse health effects from lead poisoning in young children include reduced intelligence, reading and learning disabilities, impaired hearing, and slowed growth.

Since the 1970s, restrictions on the use of lead have limited the amount of lead being released into the environment. As a result, national blood lead levels for children under the age of six declined by 75 percent over the 1980s and dropped another 29 percent through the early 1990s. Despite the decline in blood-lead levels over the past decade, recent data show that 900,000 children in the United States still have blood lead levels above

10µg/dL (micrograms of lead per deciliter of whole blood). These levels are unacceptable according to the Centers for Disease Control and Prevention (CDC) which lowered blood lead intervention levels for young children from 25µg/dL to 10µg/dL in 1991. Many of these lead-poisoned children live in low-income families and in old homes with heavy concentrations of lead-based paint. The CDC identified the two most important remaining sources of lead hazards to be deteriorated lead-based paint in housing built before 1978 and urban soil and dust contaminated by past emissions of leaded gasoline.

The national goal for blood lead levels among children ages six months to five years is to limit elevations above 15µg/dL to no more than 300,000 per year and to entirely eliminate elevations above 25µg/dL.

About half of the housing units in the City may have lead-based paint. Since the City undertakes the rehabilitation of limited to comprehensive rehabilitation of housing units (many of which were constructed prior to 1978), painted surfaces will be disturbed as part of this process. As such, the City is required to incorporate lead-based paint hazard evaluation, approved remediation/reduction strategies and clearance requirements for all housing structures built before 1978.

To reduce the potential for adverse health effects attributable to the rehabilitation of deteriorated lead-based paint surfaces, the City provides educational material. All customers receiving housing rehabilitation assistance from the City are informed about the potential health hazards posed by the presence of deteriorated lead-based paint, which includes information about protecting their families from this hazardous substance.

In addition, staff who oversee rehabilitation projects are trained to incorporate proper hazard reduction techniques into the treatment of lead-based paint. Instead of performing lead hazard evaluations on properties proposed for rehabilitation, it is City's policy to automatically presume that lead-based paint and/or lead-based paint hazards are present when the housing was built before 1978. Visual assessment, stabilization and standard treatment methodologies are employed to achieve clearance for each comprehensive rehabilitation project. The City will conduct one of the lead hazard reduction methods as routine to rehabilitation activity. If interim controls are required, conduct standard treatments in lieu of interim controls on all applicable surfaces, including soil, to control lead based paint hazards that may be present. If abatement is required, abate all applicable surfaces, including soil, to control lead based paint hazards that may be present. As the result of elevated lead poisoning cases that were reported by the local media, the City has stepped up its activities to elevate public consciousness regarding the adverse effects of lead poisoning in the City include and secure funding for lead hazard reduction activities.

PROPERTY TAX POLICIES

Across the Country, older communities—with the support of the Federal government—have begun to invest in economic and community development programs designed to revitalize their urban cores. Burlington is no exception. The foundation upon which this kind of development is built is the ability to achieve fairness in the appraisal process within these neighborhoods. Since the starting point for most bank appraisals is the tax department, discriminatory assessment practices can undermine a homebuyer's ability to secure mortgage financing in an amount commensurate with the property's true market value.

Although the Fair Housing Act specifically prohibits the consideration of the racial or ethnic composition of the surrounding neighborhood in arriving at appraised values of homes, no practical means exist to investigate violations of this kind. One reliable approach, however, is to review, periodically, the assessment policies and practices of the taxing jurisdiction since their valuations generally comprise the bases for private appraisals.

Property tax assessment discrimination against low-income groups occurs when lower value properties and/or properties in poorer neighborhoods are assessed for property tax purposes at a higher percentage of market value, on average, than other properties in a jurisdiction. Regressive assessments (the tendency to assess lower value properties at a higher percentage of market value than higher value properties) are not uncommon in this Country. They result from political pressures, practical problems in assessment administration and the use of certain inappropriate appraisal techniques. Assessments tend to remain relatively rigid at a time when property values are rising in middle income neighborhoods and are declining or remaining at the same level in low-income neighborhoods.

Inequities in property tax assessments are a problem for both lower-income homeowners and low-income tenants. Millions of low-income families own homes. Variations in assessment-to-market value ratios between neighborhoods or between higher and lower value properties can make a difference of several hundred dollars or more each year in an individual homeowner's property tax bill. In addition to causing higher property tax bills, discriminatorily high assessment levels can also have an adverse impact upon property values. Buyers are less likely to purchase a property if the property taxes are perceived as too high thereby making the property less attractive and reducing its market value.

Another common inequity is the assessment of multifamily dwellings at a higher ratio to market value than single family dwellings. This type of inequity may be considered a form of discrimination against low-income groups because a higher percentage of low-income than middle-income persons live in multifamily rental dwellings. The requirement to pay a higher assessment is passed on to the tenant in the form of higher rent. Quite often, higher assessments also make it difficult for landlords to maintain property within the limits of the property's rent structure leading to substandard housing conditions.

Most jurisdictions rely heavily on a market value approach to determining value when conducting their property assessment appraisals. Under this approach, an appraiser compares recent sale prices of comparable properties within the area – in addition to site visits and a good deal of expert speculation – in arriving at an appraised value. The limitations inherent in market value approaches are many. Most prominent among them are the cumulative result of decades of discriminatory valuations, especially where the neighborhood is a minority one. Unless some radical re-appraisal process has been conducted within the preceding 10-year period, the present market value approach merely compounds past discrimination.

While the market value approach may operate successfully in some jurisdictions, a substantial percentage of jurisdictions rely primarily on a replacement cost approach in valuing properties. Making determinations of value based on comparable sales is a complex task, which requires considerable exercise of judgment. Assessor's departments, which must appraise every property within a jurisdiction, often do not find it feasible to make the detailed individual analysis required to apply the market value approach.

ZONING AND SITE SELECTION

Zoning may have a positive impact and can help to control the character of the communities that make up a City. In zoning a careful balance must be achieved to avoid promoting barriers to equal housing.

Professor Richard T. Lal, Arizona State University surveying the view of representative studies concerning the nature of zoning discrimination states:

> "If land-use zoning for the purpose of promoting reason, order and beauty in urban growth management is one side of the coin, so can it be said that exclusion of housing affordable to low and moderate income groups is the other…as practiced, zoning and other land-use regulations can diminish the general availability of good quality, low-cost dwellings…."

In considering how zoning might create barriers to fair housing, four key areas were reviewed; these included the following which were selected because of the possible adverse effects they could have on families and persons with disabilities.

- Definitions used for "families" and "group homes"
- Regulations (if any) regarding group homes
- Ability for group homes or other similar type housing to be developed
- Unreasonable restrictions on developing multifamily units, such as lot size requirements.

While the definition of group care facility is broader in terms of the number of people that can be served and no limited related to temporary disability, group housing is much more restricted in where it is permitted under current zoning designations. Family care homes are permitted under all single-family zoning districts as well as all multifamily and office use districts, neighborhood business districts (light commercial), agriculture districts and mixed use districts (traditional neighborhoods). Group homes, on the other hand, are not permitted in any single-family zoning districts and are only permitted in the highest density multifamily residential districts and commercial, office and public and institutional districts. This serves to limit group homes located in single-family and low density multifamily districts to only small-scale homes (six persons or less) that serve those with temporary disabilities. Generally, the concept of group homes is to integrate them into neighborhoods, providing the maximum amount of independent living in a community-based environment. For example, those group homes that serve persons with permanent disabilities and/or more than six occupants, this neighborhood integration may be unattainable in some communities based on zoning restrictions.

Burlington's land use plan requires that adequate public facilities be available for any development activities. In this context, "adequate public facilities generally refers to governmental strategies for assuring that all infrastructure required to meet the service demands of a particular development is available as development occurs. Such strategies can, where permitted by statute, require that the costs for all or a portion of such infrastructure be borne by the developer (ultimately the consumer), and not the general public. Currently, the City's policy is that all streets, water, sewer and storm drainage facilities within a subdivision, including any required water quality retention ponds, are paid for by the developer."

The ability to provide affordable housing to low-income persons is often enhanced by an entitlement grantee's willingness to assist in defraying the costs of development. Effective approaches include contributing water, sewer or other infrastructure improvements to projects as development subsidies or waiving impact and other fees. These types of approaches help to reduce development costs and increase affordability allowing developers to serve lower-income households. Burlington has historically sought to defray development costs by utilizing CDBG for targeted infrastructure and HOME funds to encourage affordable housing.

Priority Needs

Strategies to Meet Underserved Needs and Barriers to Affordable Housing

Burlington's Consolidated Plan major goal is to provide opportunities for standard, affordable housing for low and moderate-low families and for supportive housing for the homeless and others with special needs within the County.

A second basic goal is to improve the living environment of low-moderate-income persons in its jurisdiction. Therefore, in determining the allocation of limited public resources among the identified housing and community development needs, the City analyzed the probable impact of a specific need, availability of resources (public and private), time and costs. This analysis served as a basis for identifying any obstacles to meeting underserved needs and designing programs/activities.

General priorities of the City of Burlington focus on meeting the housing and community development needs of low-income households and neighborhoods throughout the City. The City provides federal funding, program income and any leveraged public/private resources for diverse activities including housing rehabilitation and neighborhood revitalization. The City does not intend to target a specific portion of its activities into a specific geographic area. Instead, the City will provide assistance on a City-wide basis.

On October 29, 2010 a Public Meeting was held to solicit concerns of the public regarding the availability of fair housing opportunities. The following is an outline of the concerns identified:

AFFORDABLE HOMEOWNERSHIP AND RENTAL HOUSING ISSUES

The main issues that were discussed mainly pertained to affordable housing.

- Credit History issues for prospective tenants
- No trespassing law for subsidized housing (Example: the father of a baby comes onto the property then the mother can be evicted)
- Lack of income/cannot find employment
- Low wage employment (most clients work in the retail or fast food industry)
- Increase in extended families living together (doubling or tripling up the family size) because of affordability issues.
- Outstanding utility bills prevent moving into a rental unit
- Limited local public transportation in the community
    - Ability to obtain and/or maintain jobs may be limited
    - Housing options are limited

SECTION V: Fair Housing and the Private Sector

Homeownership rates are important to a community's financial well-being. Prospective homebuyers expect to have access to mortgage credit; and home ownership programs must be available without regard to discrimination, income, or profession. To truly live up to fair housing laws, all persons must have the ability to live where they want and can afford.

Access to mortgage credit enables residents to own their homes, and access to home improvement loans allows them to keep older houses in good condition. Access to refinancing loans allows homeowners to make use of the equity in their home for other expenses. Mortgage credit, home improvement loans, and refinancing loans together keep neighborhoods attractive and keep residents vested in their communities.[10]

Lenders in the City of Burlington

Poor lending performance results in various long-term and far ranging community problems. Of these, disinvestment is probably the most troubling. Disinvestment in the City of Burlington by its lenders would reduce housing finance options for borrowers and weaken competition in the mortgage market for low-moderate income neighborhoods. High mortgage costs, less favorable mortgage loan terms, deteriorating neighborhoods, reduced opportunities for home ownership, reduced opportunities for home improvement and the lack of affordable housing are only a few of the consequences of inadequate lending performance. Financial decay in the business sector as well as in the private sector is also a result of disinvestment in the form of business relocation, closure, and bankruptcy. Full service local lenders that have traditionally served residents and businesses are one of the main elements that keep neighborhoods stable.

Significant changes are occurring in the lending market not only in the City of Burlington but throughout the United States. The number and type of lenders have changed over the last ten years, and many local lenders have been bought by national lenders. These national lending institutions are becoming increasingly more active locally, as their market share continues

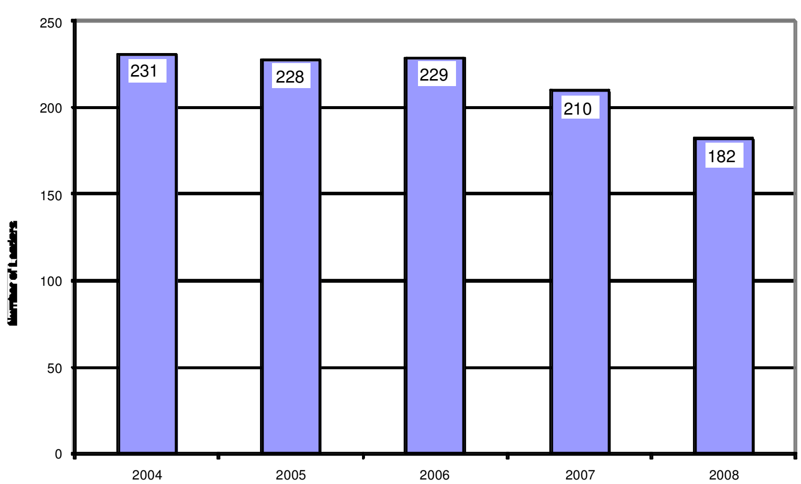
[10] Profile of Lima, Ohio, Federal Reserve Bank of Cleveland, Fall 2000.

to grow, and recent government bail-outs to prevent lender failures have impacted conventional lending prospects for the future.

The substantial growth of the sub-prime market and the impact these lenders have on communities and neighborhoods continues. More and more we see local commercial banks lose market share to lenders outside the city.

In part, this is attributable to the advent of on-line loan services (such as Lending Tree, e-loan Ditech, and others) who submit applications on the borrower's behalf to several lenders. More favorable terms can often be available from remote lenders than can be found locally. HMDA data also reflect other impacts of the popularity of on-line loans. First, since several prospective lenders may report the same borrower's application, this results in an increase in the number of loan applications, often by three or four times the actual number of loans sought. Secondly, since each borrower ultimately chooses just one loan, the number of applications approved but subsequently declined also increases. These effects are evident in the data.

There were 182 financial institutions with a home or branch office in the City of Burlington, and whose data make up the 2008 aggregate report for the city. The number of all mortgage lenders in the City of Burlington has declined in recent years, dropping by an overall average of -5.6 percent each year since 2004. In 2008, there were 21.2 percent fewer lenders serving the area than in 2004.



Number of Lenders Percent Change 2004 to 2008	
2004 to 2005	-1.3%
2005 to 2006	0.4%
2006 to 2007	-8.3%
2007 to 2008	-13.3%

The physical presence of financial institutions in communities facilitates relationships with banks, and the location of these institutions is a primary concern for a community. Areas left without branches or with access to only ATM machines must find alternative sources for services (such as check cashing businesses or finance companies), which can be more expensive than traditional financial institutions or credit unions. The pattern of lender activity depicted above closely mirrors a similar pattern nationwide that reflects the recent instability of the lending industry.

Table 1 shows the top five lenders in the City of Burlington and their 2008 market share for mortgage applications (all types and purposes). As lenders, these institutions wrote 17.6 percent of the residential lending business in the City of Burlington in 2008. With all other lenders with locations in the MSA harnessing another 6.1 percent, local lenders realized a total of 23.6 percent of the city's residential mortgage business in 2008. The remaining 76.4 percent went to lenders who do not have offices or branches in the City of Burlington. This means that the residential real estate lending marketplace in the City of Burlington is primarily served by remote lenders, as has been the national trend in recent years.

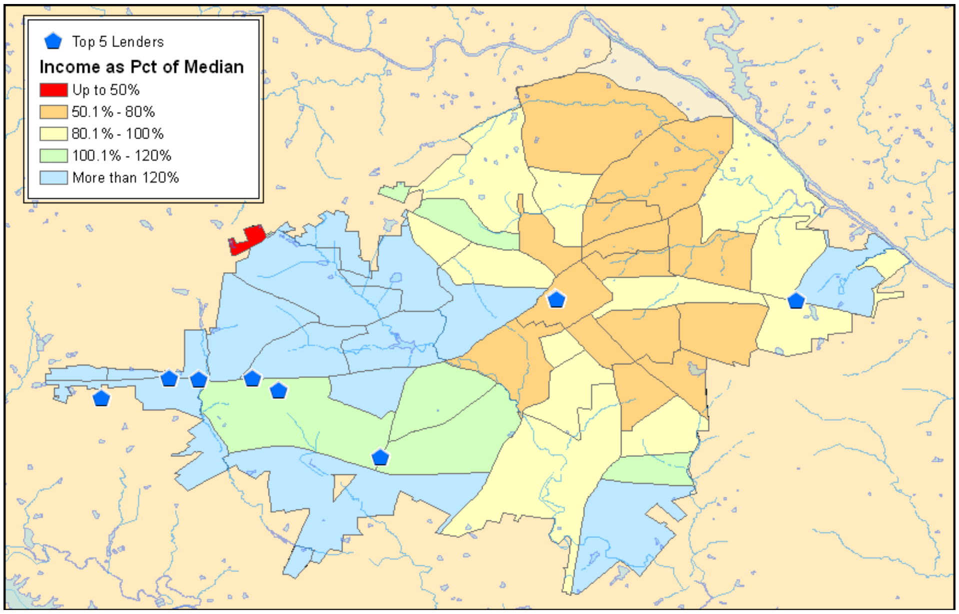
Table 1. Five Largest Lending Institutions

Institution	Branches/ Offices	% Market Share 2008
BENEFICIAL COMPANY LLC	1	5.01%
STATE EMPLOYEES' CREDIT UNION	2	4.69%
BANK OF AMERICA, N.A.	4	4.49%
CAROLINA BANK	1	1.74%
MIDCAROLINABANK	2	1.63%
TOTAL	10	17.6%

Source: HMDA, 2008

The map on the following page illustrates the locations of the five top local lenders in the City of Burlington. These lenders are concentrated on the west side of the city, where they are primarily accessible by higher-income households. In terms of accessibility, this is contradicts conventional wisdom. Most prospective higher-income borrowers have access to other sources of funds, such as might be found through on-line brokers, who accommodate their needs remotely without the need for face-to-face interaction. Conversely, accessibility is of particular importance to novice homebuyers, who are most likely to be found at lower income levels. These lenders' absence in lower-income areas is evident.

Map 1: Lenders in Neighborhoods



According to HUD's Subprime Lender criteria, 17.0 percent of the lenders active in 2008 lending in the City of Burlington were subprime lenders. Generally located outside the state, their services are most often sought electronically through on-line brokers. These lenders are easy to access nationwide, making it convenient to shop for loans; and the local absence of top-tier accessibility can make the subprime market generally more attractive for local borrowers.

LENDING ACTIVITY IN THE CITY OF BURLINGTON, 2004-2008

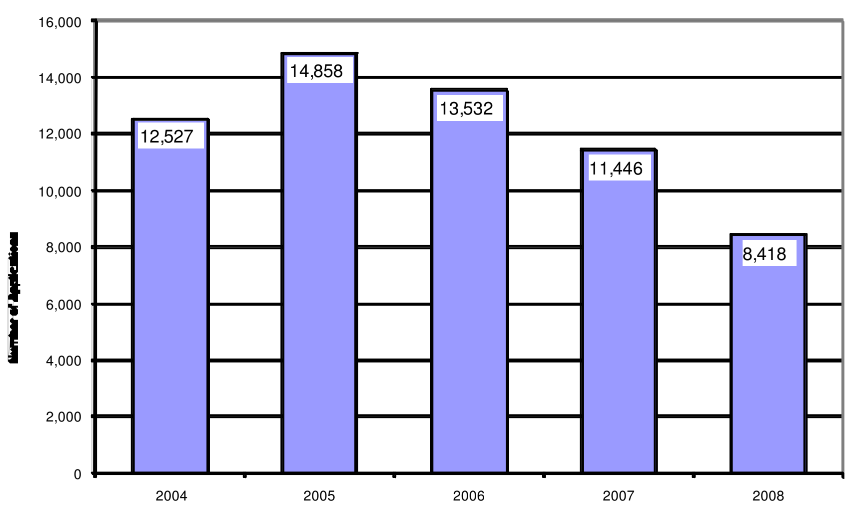
The statistical databases used for this analysis were 2000 decennial census data, the 2006-2008 American Community Survey 3-year Estimates and the Home Mortgage Disclosure Act (HMDA) data for the years 2004 to 2008, inclusive. HMDA data on loan activity are reported to document home purchase, refinancing, and home improvement loans. The broadest measure of lending activity is total market activity, which covers all three categories of home loans (purchase, refinance, and home improvement). In this report, if the loan purpose is not specified in the text or figures, the reference is to total market activity.

Loan Applications Percent Change 2004 to 2008

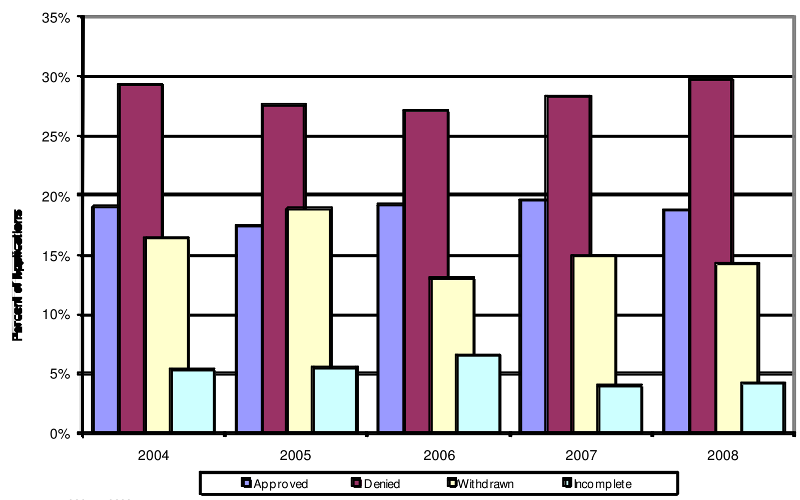
2004 to 2005	18.6%
2005 to 2006	-8.9%
2006 to 2007	-15.4%
2007 to 2008	-26.5%

During the strong economic trends prior to 2005, there was a boost in income and employment, which generated a higher demand for homeownership and other mortgage related activities. Mortgage interest rates were quite low and there was a rush to refinance homes and to do home-improvement projects. Not surprisingly, mortgage loan activity in the City of Burlington showed strength over this same time period and the total number of applications submitted to lenders in the City of Burlington was quite high. In 2006, however, data indicate a decrease in loan application activity over the prior year, and an increasing decline to 2008, the timeframe that roughly corresponds with United States military involvement in Iraq. The uncertainty of its outcome may have resulted in residents viewing commitment to a new mortgage a low priority. The striking 26.5 percent decline in 2008 illustrates the effect of the end of favorable interest rates and the threat of an uncertain economy.

The applications represented here are for all loans: conventional, government-backed, refinance, home improvement for owner-occupied, single-family dwellings.



Approval rates[11] have been somewhat steady since 2004 (Figure 3), while denial rates have risen substantially since 2006, likely in response to general economic conditions nationwide. In 2004, 14.6 percent of all loans were originated, while 4.4 percent of loans approved were declined by the applicants (not shown separately). Origination dropped to 13.7 percent in 2005, but has remained over 14.4 percent since then. At the same time, applicant refusal of approved loans has remained between 3.8 and 5.0 percent—this highest rate in 2007. The rate of denials dropped to 17.5 percent in 2005, but jumped to over 19 percent for the succeeding two years, declining to 18.8 in 2008. Withdrawals peaked in 2005, but returned to rates of between 13 and 15 percent thereafter, while incomplete applications (interpreted as a sign of borrowers' reluctance to commit finances) dropped in recent years since 2006.



Source: HMDA, 2004 -2008

Figure 4 shows the relationship among percent of applications, originations, and denials for the five-year period in the City of Burlington. Despite the declining number of applications since 2005 (also see Figure 2, above), rates of originations remained quite steady and denials rose. While applications peaked in 2005, the rate of originations dropped to 13.7 percent in 2007. At the same time, denials dropped from 29.3 percent in 2004 to 27.2 percent in 2006, rising to 29.8 percent in 2008. In this context, Originations are those

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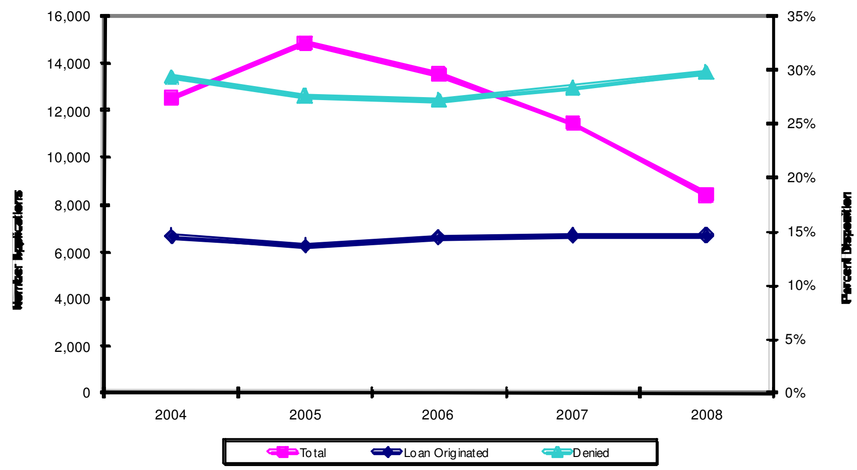
[11] Approved loans are those that originated (culminated in a closing) as well as those approved by the lender but subsequently declined by the borrower.

loans that culminated in a closing. Loans that were approved but subsequently declined by the borrower have been subtracted from the total number approved (shown above). As anticipated, the number of loans declined by the borrower rose from 3.8 percent in 2005 to 5.0 percent in 2007, then dropped off to 4.1 percent in 2008 (not shown separately).

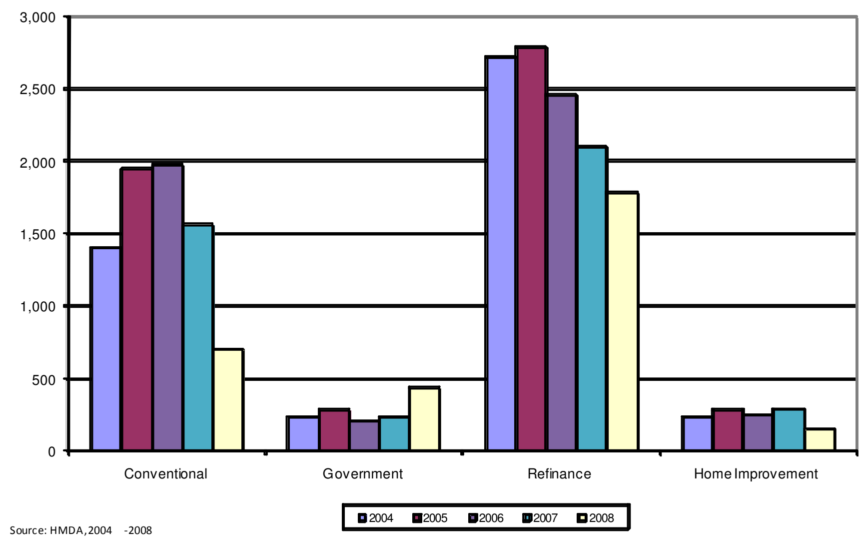


Source: HMDA, 2004 -2008

One factor that might contribute to a change in the rate of loan originations is the difference in the types of loans applicants seek. A review of applications by type (Figure 5) reveals that refinancing was the most sought-after loan type throughout the five-year period. Refinancing is a common way for homeowners to access cash. The sudden decline in conventional applications for purchase in 2008 to just over 700 applications (a drop of nearly 50 percent) as compared to a much smaller decline in applications for refinances (about 35 percent decline) reiterates efforts of borrowers seeking to take advantage of low interest rates to extract equity from their existing homes rather than committing to a new purchase. The increase in the use of on-line lending brokers helped fuel the ease of seeking out loans until cautions about an unstable economy stopped the flow. In general, home improvement loan applications are the least sought-after product. In the City of Burlington, however, these rose over the period, outpacing government loans in 2006 and 2007.

Government loans represented 5.1 percent in 2004, fell to just over 4 percent of all loans in 2006, then leapt to 14.2 percent in 2008—the same year that applications for conventional loans dropped off. While it is tempting to surmise that otherwise conventional homebuyers sought government assistance in 2008, the overall number of conventional loan-seekers dropped by more than 800 from the previous year. At the same time, government loan-seekers increased by just 200. Although this may capture some of the difference, many potential homebuyers appear to have opted out in 2008.

Fig. 5. Applications by Type

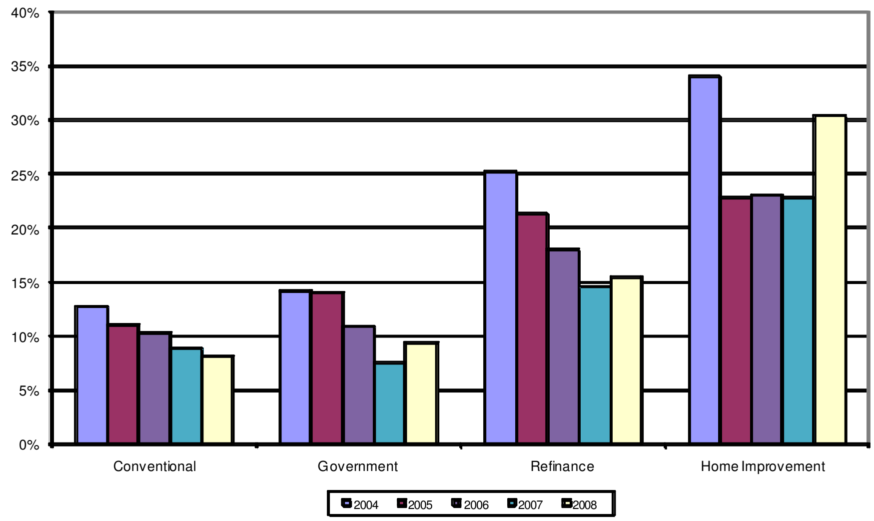


Conventional home purchase loans are a strong indicator of how many families are able to purchase single-family housing in the city. The denial rate for these loans declined from 12.9 percent in 2004 to just over 8 percent in 2008 (Figure 6).

An interesting finding has emerged from a review of denial rates by type of loan. Usually government loans are the lowest of all loan types in rate of denials, seconded by conventional denials. In Burlington, however, this pattern is reversed. This may be a reflection of more stringent application of government loan criteria by local administrators, or more lenient guidelines among conventional lenders. Determining the cause of this anomaly is difficult and may warrant further investigation.

Government loan denials started at a peak of 14.2 percent in 2004 and declined until 2007. In that year, for the first time, denials for government loans were below the rate for conventional loans (7.6 percent as compared to 9.0). In 2008, denials for government loans returned to a slightly higher rate than conventional.

Fig. 6. Denial Rates by Type of Loan



Source: HMDA, 2004 -2008

Applicants for both refinance and home improvement loans already have equity in their homes and have histories as borrowers. For these reasons, securing additional financing ought to be easier. In general, there are two reasons why homeowners apply for refinance loans. One involves borrowing funds in the amount of the existing mortgage at a lower interest rate so that the homeowner's monthly mortgage payment is lower. Certainly, this type of loan is favorable, since the homeowner will be spending less income on the home's mortgage and, theoretically at least, more money in the local economy. The second type is one in which the homeowner extracts accumulated equity in order to afford a large-ticket expense, such as a wedding or a new vehicle, or to consolidate accumulated smaller debts. This type of refinance can be viewed less favorably, since the owner is disinvesting in the property by withdrawing accumulated wealth. From a lender's point of view, this reduction in the owner's equity represents a higher risk for the lender. After a peak of 25.2 percent in 2004, the rate of denials for refinance applications has been steadily decreasing to a recent low of 14.7 percent in 2007.

Historically home improvement loan applications have the highest rate of denials, but this may be due to the fact that lenders use the home improvement category to report both second mortgages and equity-based lines of credit. Although home improvement loans may be a means for financially ailing homeowners to generate funds for needed repairs, in the City of Burlington denial rates were exceptionally high in 2004 (34.0 percent) and 2008 (30.5 percent). An important consideration in this area is the fact that over 43 percent of Burlington's housing stock is more than 50 years old. Reinvestment in the form of home improvement is crucial to maintaining the supply of comfortable—and ultimately sellable—homes. Without improvements, homeowners are unable to command a fair market value once they decide to sell. Declining denial rates on these types of loans may reflect changing policies in the lending industry, but this is still an area that may warrant some attention in the City of Burlington when it occurs. The associated disinvestment can have an undesirable effect on the community when it occurs in great numbers.

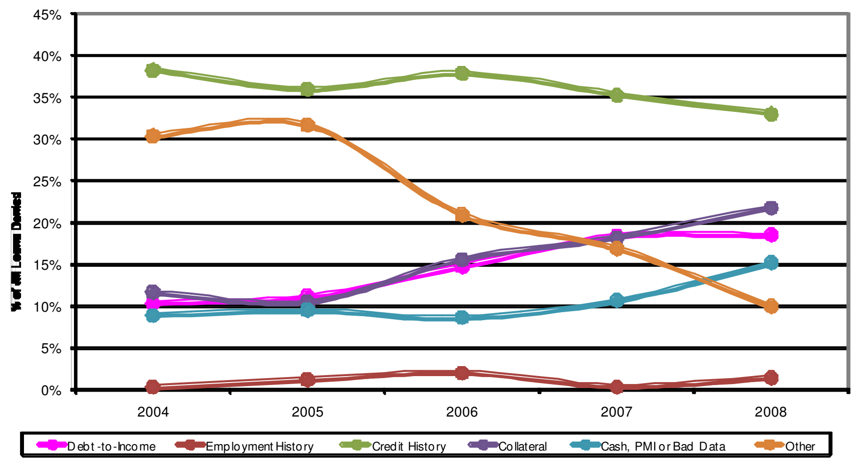
When loans are denied, lenders record the reasons for these decisions. Figure 7 shows the percent of denials by reason for the period from 2004 to 2008 for all loans of all types. In all years, the most common reason for denying loans continues to be the applicant's Credit History. Although this rate has been declining in recent years, it has consistently maintained a rate between 33 and 39 percent.

In earlier years, the second most common reason for denial was "Other" reasons[12], which showed a dramatic decline as reason for denial from its recent high of 31.7 percent in 2005 to an historic low of 10.0 percent in 2008. However, this pattern appears to be consistent among markets nationwide and most likely is a function of recent changes in HMDA reporting criteria or analysis methodology, or changes in the definition of "Other" reasons. Still, the decline of denials for this reason since 2005 as a reason for denial is noteworthy.

Insufficient Collateral (21.9 percent in 2008), Debt-to-Income ratio (18.5 percent) and Insufficient Cash, Private Mortgage Insurance denied or Bad Data (15.2 percent) have been steadily rising since 2005; however, much of the difference appears to have been absorbed by "Other Reasons" through the years, again alluding to the redefinition of this category.

Employment history continues to be the least common reason for denials, and, despite small fluctuations, accounted for between just 0.3 and 2.1 percent of denials in any year.

[12] This category was redefined in 2004 and now includes reasons that were independently specified in prior years. Consequently, denials for "Other" reasons increased for all applicants in 2004 and 2005, and have been declining since then.



Source: HMDA, 2004 -2008

Analysis by Race and Ethnicity

Applications and Denials

This analysis seeks to determine whether there is disparity among loan applications received from black, white and Hispanic white applicants. Ideally, the percentages of loan applications received would mirror the percent of population of each racial group. As described in the demographic section, Burlington's 2000 population was comprised of 66.2 percent White and 25.1 percent Black residents. American Community Survey data suggest a slight shift to 57.0 percent White and 26.4 percent Black residents. At the same time, those reporting Hispanic ethnicity rose from 9.5 percent in 2000 to 16.4 percent in 2008.

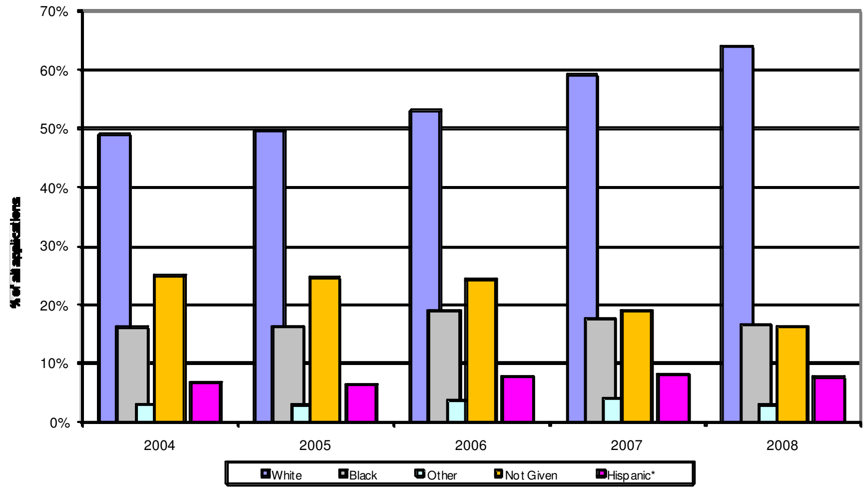
It appears that there is some disparity between loan applications received from black and white applicants. Specifically, in 2004 the percent of applications made by white consumers was 49.0 percent, representing a difference of 17 points between this ratio and the white population in Burlington. By 2008, 64.1 percent of applications were received from white consumers; just two points below their ratio of the population. At the same time, the rate of applications from black consumers has remained steady at between 16 and 19 percent, while they comprised between 25 and 26 percent of the population over the five-year period, representing up to a ten-point differential.

While applications from white consumers shifted from considerably below their estimated 57 percent representation in the population to well above, the rate of applications from black consumers continues to be about two-thirds of the city's black population. Black applicants appear to be underrepresented as consumers in lending in the City of Burlington.

Between 16.4 and 24.9 percent of applicants did not provide their race over the study period (a rate that declined from 2004 to 2008), leaving the distribution to speculation. It is not possible for all those who did not state their race to be neither all white nor all black because the resulting ratio would be higher than the citywide composition of either. If the number is distributed in the same proportion as each in the population, the resulting ratio is fairly representative of both the black and white populations, although slightly over-represents white consumers. This suggests that black applicants are less likely to give their race. While it is not possible to determine whether loan approval or decline is associated with race, it does not eliminate the possibility that black consumers may incur barriers to the lending market in the City of Burlington.

Hispanic applicants also may be underrepresented in the lending market. In 2004, 6.9 percent of the applications were from Hispanic consumers, as compared to their (2000) 9.5 percent representation in the population. This means that Hispanic consumers applied at just 72.3 percent of the expected rate. The application rate steadily increased to 8.2 percent by 2007, declining to 7.7 percent in 2008, while 2008 American Community Survey data estimate the Hispanic population to have grown to 16.4 percent by that year. By 2008, Hispanic applicants made application at just 47.0 percent of the expected rate. Overall, this change does not appear to be significant and it is too early to state whether the disparity may be the onset of any trend. At the very least, however, it does appear that Hispanic applicants may incur barriers to accessing the lending market in the City of Burlington.

*Prior to 2004, the response "Hispanic" was part of Race. Beginning in 2004, respondents selected Race and Hispanic Ethnicity separately.

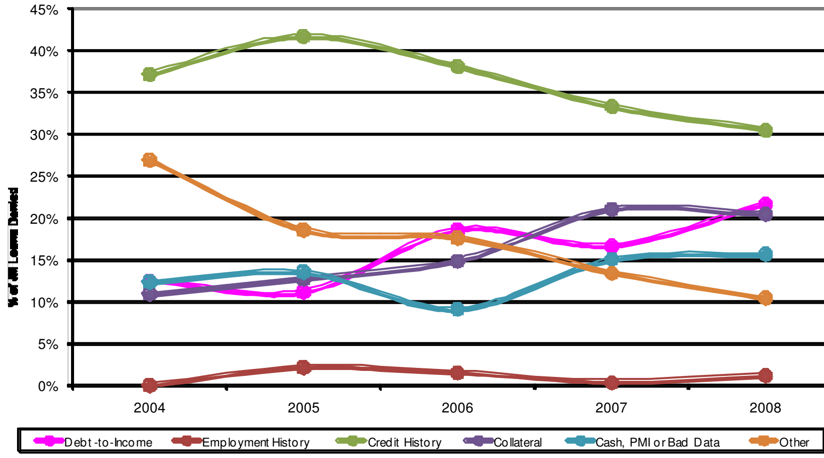


Source: HMDA, 2004-2008

When examining reasons for denial among only white applicants, unacceptable credit history maintains its position as the most common, declining from a recent high of 41.8 in 2004 to 30.5 in 2008 (Figure 9a). At the same time, Insufficient Collateral and Debt-to-Income both rose from 10.9 and 12.6, respectively, to rates over 20 percent by 2008, both outpacing Other reasons by 2007.[13] This combination suggests consumers' attempts to extract equity through refinancing at a time when real estate prices had begun to stagnate and interest rates had started to rise.

The combined category of Insufficient Cash, Inability to Secure PMI or Bad Data fluctuated somewhat, revealing a slight upward trend as a reason for denial, from a recent low of 9.2 percent in 2006 to a high of 15.7 percent in 2008. This combined category speaks to the funds required to secure a loan and illustrates a decline in available cash among perspective borrowers.

[13] This is likely a function of the 2004 redefinition of the components that make up "Other" reasons.



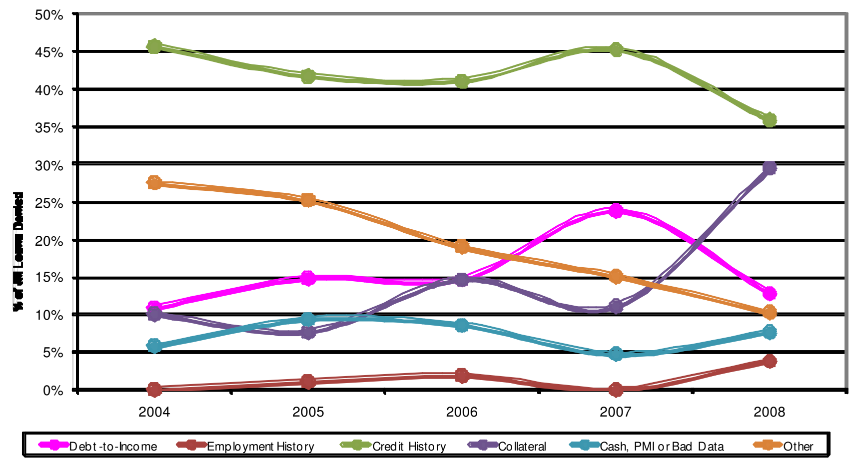
Source: HMDA, 2004 -2008

The graph below illustrates denial reasons for applications from black consumers. As with white applicants, credit history was the most common reason for loan denials among black applicants (Figure 9b), with slightly greater frequency (about 5 points overall) among black consumers than white. After a slight increase to 45.2 percent in 2007, the rate dropped in 2008 to a five-year low of 35.9 percent.

The pattern of denials due to Other reasons mirrors that of denials among white applicants, declining to 10.3 percent by 2008 from a high of 27.5 percent in 2004. The numeric range is comparable with that of white applicants, with a five-year high of 27.5 percent (in 2004), as compared to high of 27.0 percent (in 2004) among white applicants.

Denials due to Debt-to-Income and Insufficient Collateral also rose throughout the period, as was the case among white applicants. Both of these rates were slightly below those of white applicants and follow similar patterns, with a difference of less than three points in any year.

Employment History remains low as a reason for denial of loans (there were no loans denied for this reason in two of the years studied), but Insufficient Cash, inability to secure Private Mortgage Insurance and Bad Data fluctuated from 4.8 to 9.3 percent across the analysis period. This rate is has remained about six points below that of white applicants.

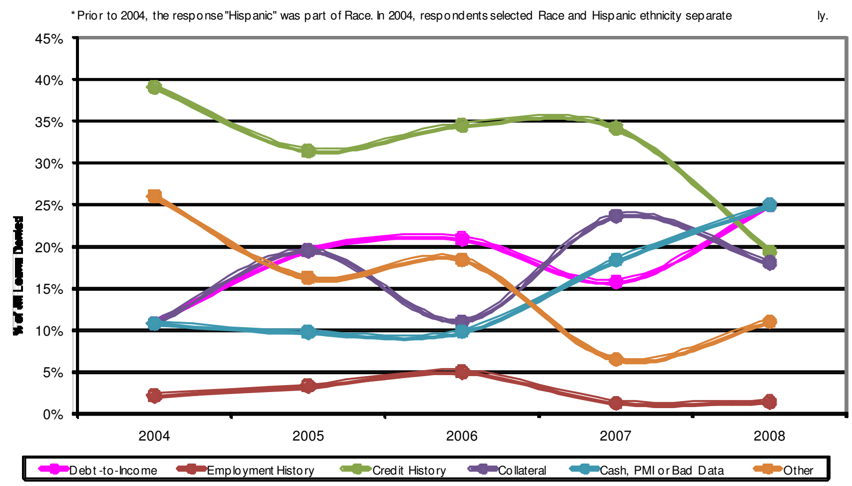


Source: HMDA, 2004 -2008

The graph below illustrates denial reasons for Hispanic applicants; however, their comparatively small numbers in the population warrant a cautious analysis. Applications from Hispanic consumers ranged from 6.4 to 8.2 percent of all applications, as compared to their estimated range of between 9.5 and 16.4 percent representation in the population.

The denial patterns closely mirror those identified among white and black applicants, citing Credit History as the most prevalent reason for denial in all years. As was the case among black applicants, this reason rose slightly in 2206 and 2207, and declined in 2008. Denials for Other reasons also declined over the period, with its lowest rate of 6.6 percent in 2007. This reason has been consistently below that of both black and white applicants in all years except 2008.

At the same time, Insufficient Collateral was nearly on par with black applicants, except for a peak of 23.7 percent in 2007. However, Debt-to-Income and the combined measure of Insufficient Cash, inability to acquire Private Mortgage Insurance or Bad Data were both consistently high, and both arising as the most frequent reasons for denial in 2008. While Employment History continues to be the least frequent reason for denial, it reached a high of 4.9 percent in 2006, dropping to its lowest point of 1.3 percent the following year. These rates represent the highest frequency of this reason among all groups and all years in the study period, with the exception of black applicants in 2008, when their rate was nearly three times the Hispanic denial rate of 1.4 percent on this measure.



Source: HMDA, 2004 -2008

Asian applicants are quite infrequent in the City of Burlington and their small number makes identifying trends over the five-year period difficult. According to the Demographic overview (Section 2 of this report), Asians made up between 1.1 and 1.7 percent of the city's population but in most years of the study period they accounted for between just 0.3 and .07 percent of loan applications—a rate that is about one-fourth of their representation in the population. While this may signal low access to the lending marketplace, this may also be a reflection of cultural traditions that promote "lending circles" or "lending clubs" through which individuals rely on social networks to help them acquire funds for large purchases.

While there do appear to be some inconsistencies with regards to reasons of denial for one race over the other, in general, rates of reasons for denial somewhat closely mirror those for all races combined (Figure 7).

On average, white applicants were less frequently denied on all measures than consumers who identified themselves as black or Hispanic.

Black applicants were more frequently denied on the basis of Credit History (42.0 percent) at a rate that is significantly higher than both white (36.2) and Hispanic (31.8) consumers (27.9). Black applicants are also denied on the basis of Other reasons with the highest frequency—19.4 percent, as compared to 17.4 for whites and 15.7 for Hispanics.

On average, Hispanic applicants are more frequently denied for Debt-to-Income (18.4 percent), Insufficient Collateral (13.7), and Inadequate Cash, Private Mortgage Insurance or Bad Data (14.8) than any other group. Employment History is the least frequent reason for denial across all groups, but Hispanic consumers are denied for this reason (2.6) almost twice as frequently as are black consumers. However, Hispanic consumers are denied less frequently than are white consumers for Credit History and Other reasons for denial.

While these findings become apparent through lending data, this may not necessarily be a sign of discrimination in lending, but a signal of discrimination in other areas. For example, such findings may suggest that Hispanic consumers do not have the opportunities to maintain steady employment in Burlington, which would hinder their ability to establish and maintain creditworthiness. This should be an area of concern and may warrant monitoring in the City of Burlington.

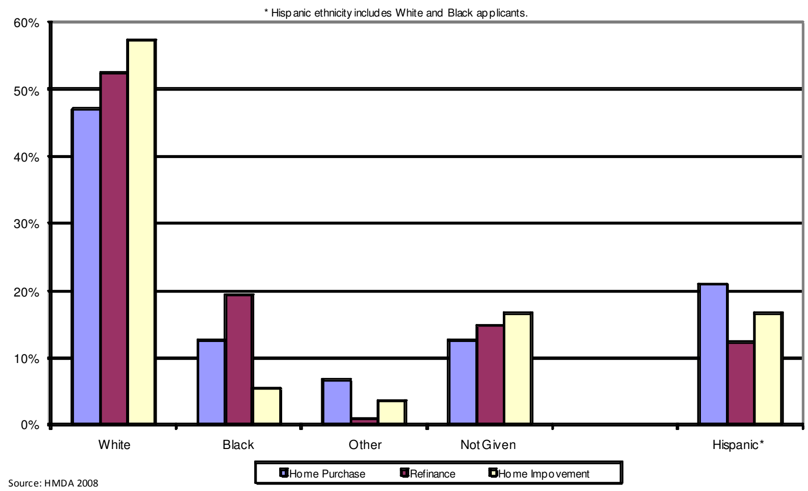
In general, the results of this analysis do not indicate any significant patterns to report that might suggest unfair practices in the lending industry with regards to the application process. While, overall, this signals good news for fair lending with respect to racial discrimination, these data show only a small piece of the lending picture.

PURPOSE OF LOAN

In 2008, white applicants were denied most frequently on applications made for the purpose of home improvement (57.4 percent), which was also the case among those who did not give their race (16.7 percent). Black applicants were most frequently denied on applications made for refinancing existing loans (19.4 percent). Hispanic applicants and those who identified their race as “Other” were most frequently denied loans for the purchase of a home (21.0 and 6.7 percent, respectively).

This information notwithstanding, with over 12 percent of homebuyers, nearly 15 percent of applicants for refinance loans, and an additional 17 percent of those seeking home improvement loans not reporting their race, any conclusions attempted from comparing data in these areas may be critically flawed. Nonetheless, the finding that so many applicants who did not give their race were denied loans for home improvement may be significant in that their homes may require maintenance. Conversely, since this category also includes equity loans and lines of credit, it is possible that applicants sought cash from the equity in their homes for purposes other than home improvement. This is an area that may merit attention.

Fig. 10. Denial Rates by Race and Purpose of Loan



Source: HMDA 2008

Analysis by Income

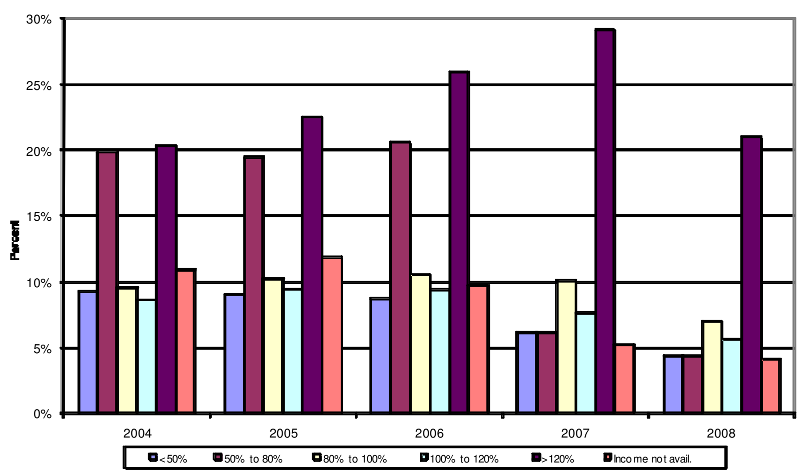
Low- and moderate-income households make up a substantial portion of the City of Burlington's total households. According to the description in the demographic section of this report, 18.3 percent of the city's residents earned under $15,000 annually, and another 16.4 percent earned from $15,000 to $25,000 in 2000. As compared to a median income of $35,301, this means that 34.6 percent of the population earned less than 70.8 percent of this amount. By 2008, 15.8 percent of the population earned less than $15,000, with an additional 13.6 percent earning less than $25,000. As compared to a median income of $41,544, 29.4 percent of the population earned less than 60.2 percent of this amount. Because homeownership is the most effective way to increase personal wealth, it is especially essential for these households to have access to credit for home loans.

In the City of Burlington, of the more than 1,800 loans originated in 2004, 29.2 percent went to low- and moderate-income borrowers combined: 9.3 percent to those households earning less than 50 percent of the area's median and 19.9 percent to those earning from 50 to 80 percent (Figure 11). Of the 1,235 loans originated in 2008, just 8.8 percent went to low- and moderate-income households combined, with approvals evenly divided between those earning less than 50 percent and those earning from 50 to 80 percent of the area's median (4.4 percent each).

By 2008, fewer than one-half (46.7 percent) of all loans originated, as compared to 78.7 percent in 2004. Much of the 32-point difference was felt among low-income borrowers (earning from 50 to 80 percent of the area's median income) whose origination rate fell by 20.4 points.

Households earning 80 percent to 100 percent of the area median received 9.5 percent of the loans originated in 2004, but saw approval rates fall to 7.0 percent by 2008. In all years of the study period, the highest proportions of loans went to those earning over 120 percent of the area's median, ranging from a low of 20.3 percent in 2004 to a recent high of 29.1 in 2007. Originations to those whose income is not available steadily declined from a high of 10.9 (in 2004) to a low of 4.2 in 2008.

While it is not difficult to understand that those whose earnings exceed 120 percent of the area's median would be more likely to secure loan approval, the graph below illustrates the disparities that exist among income levels.



Source: HMDA, 2004 - 2008

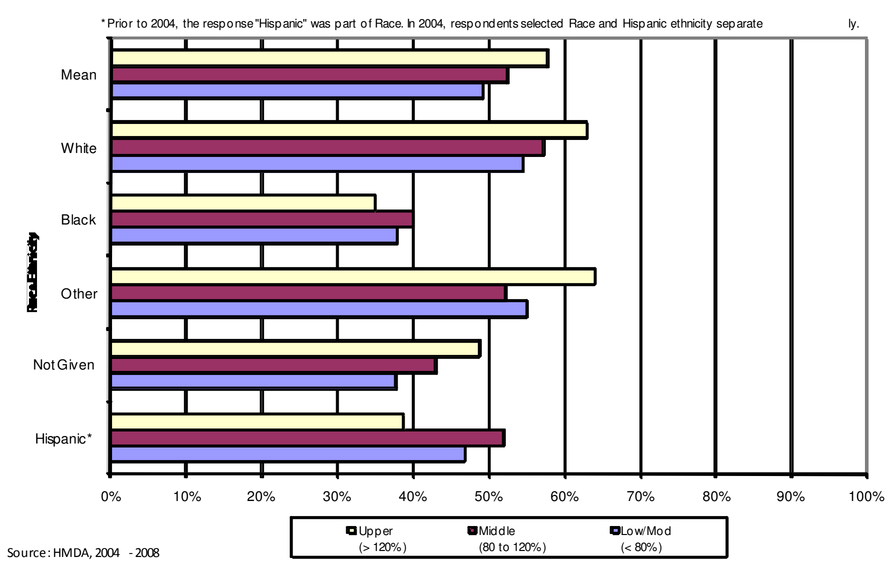
On average, 8.4 percent of applicants' incomes are not available. While there are several reasons why incomes may not be reported, it is unlikely that these applicants would be from low or moderate income levels. Applicants who earn incomes near the median are more likely to be required to verify income; whereas, those at the highest level often do not face this requirement. In 2008, this figure was 4.2; therefore, it is almost certain that the additional originations (described above) went to the highest earners. This means that an additional 4.2 percentage points can be added to those of higher income groups, bringing the highest earners' approval rate to 25.2 percent in 2008, illustrating even further disparity among income groups in loan approvals.

An examination of approval rates by income by race can prove to be a revealing tool. The uppermost bars on the graph shown in Figure 12 represent the mean rate of approvals for each income group (Low/Mod, Middle and Upper), regardless of race.

White applicants (represented by the second set of bars) were the only group consistently above the mean at all income levels, by an average of just over 15 points overall. Applicants who identified themselves as "Other" race were also above the mean among Low/Mod and upper-income borrowers, placing them at an average of 12 points above the mean, overall. All other groups fell below the mean in all income levels.

Black applicants were well below the mean at all levels, falling more than 46 points below the mean overall—the greatest disparity of all racial groups—with the greatest difference primarily found at the highest income level. The aggregate among Hispanic applicants was nearly 22 points below the mean, also with the greatest difference primarily at the highest income level.

Applicants who did not give their race also fell below the mean with an aggregate difference of over 29 points. However, low approval rates among applicants who did not specify race might be more a function of income and other measures of creditworthiness than of race. While we speculated elsewhere that as many as two-thirds of these applicants may have been white, there is no way to positively know who declines to specify race; therefore, this cannot be ascertained.



While this analysis reveals distinct racial differences in rates of approval, it is difficult to disentangle race from income, especially in light of the high rate of applicants who did not specify their race (ranging from 16.4 to 24.9 percent across all years). Still, there appears to be some evidence that race plays some role in loan approval in the City of Burlington, which may or may not be specifically attributable to overt discrimination in lending.

Conventional wisdom points to structural factors that serve to restrict access to the services that accompany participation in the homeownership and mortgage arenas. When prospective homebuyers are prevented from accessing the appropriate opportunities, structural discrimination takes place. Obvious examples of these factors may be steering in the real estate industry, a lack of earning opportunities in the labor market, or poor opportunities for education that can lead to incomes that might improve creditworthiness. While these examples are easy to cite, most structural discrimination is quite unintentional, very subtle and extremely difficult to identify.

ALTERNATIVE LENDING SOURCES

Sub-Prime Lenders

While conventional lenders focus their marketing efforts on consumers with few or no credit blemishes (those with "A" credit), an alternative source of loan funds for consumers with lower credit scores ("B" or "C" credit) is sub-prime lending institutions. While sub-prime lenders simplify the application process and approve loan applications more quickly and more often, these lenders also charge higher interest rates to help mitigate the increased risk in lending to consumers with poorer credit histories. Interestingly, consumers who borrow from sub-prime lenders often do qualify for loans from conventional lenders, but succumb to marketing tactics that encourage them choose sub-prime institutions over conventional. Recent studies by Freddie Mac, the government-sponsored entity that purchases mortgages from lenders and packages them into securities that are sold to investors, show that between 25 percent and 35 percent of consumers receiving high cost loans in the sub-prime market qualify for conventional loans.[14] This may be a result of the loss of conventional lenders in the community. Having

[14] Information for this discussion provided by Miami Valley Fair Housing Center.

fewer lenders from which to choose, consumers select those that are conveniently located, even at a higher price.

According to HUD's Subprime Lender criteria, 17.0 percent of the lenders active in 2008 lending in the City of Burlington were subprime lenders. Generally located outside the state, their services are most often sought electronically through on-line brokers. These lenders are easy to access nationwide, making it convenient to shop for loans; and the local absence of top-tier accessibility can make the subprime market generally more attractive for local borrowers.

Predatory Lenders

While most sub-prime lenders serve a need by targeting borrowers with sub-par credit histories, some go too far. Those that do are known as predatory lenders. Lending becomes predatory when lenders target specific populations (such as low-income, minority, or elderly homeowners), charge excessive fees, frequently refinance the loan, and often mislead the borrower. Since wealth is often tied to property ownership, this system threatens to deprive residents of their assets by overextending their home's equity and, in some cases, foreclosing on the homes of people who cannot afford the high interest rates and associated fees.

Mainstream financial institutions often unwittingly exclude the very groups targeted by predatory lenders when they market loan products. Additionally, unknowing consumers find themselves at a disadvantage due to a lack of financial savvy. The lending process can be complicated, and often consumers are ill-prepared to deal with the large volume of paperwork required for the loan process. Most predatory lenders use their clients' inexperience to their advantage, however, and do not provide quality counseling for consumers seeking their products. They use the consumers' ignorance as their opportunity to reap profits. In the end, borrowers pay substantially higher interest rates and purchase unnecessary credit, life, and disability insurance products.

Sub-prime lenders charge higher rates to compensate for higher risk. While these types of loans and lenders provide an important service to those without opportunities, these institutions have been associated with predatory lending nationally and are a source of potential concern locally. When compared to the list of sub-prime lenders provided by HUD, there were 23 identified within the City of Burlington that wrote loans in 2008, representing 4.5 percent of the business written.

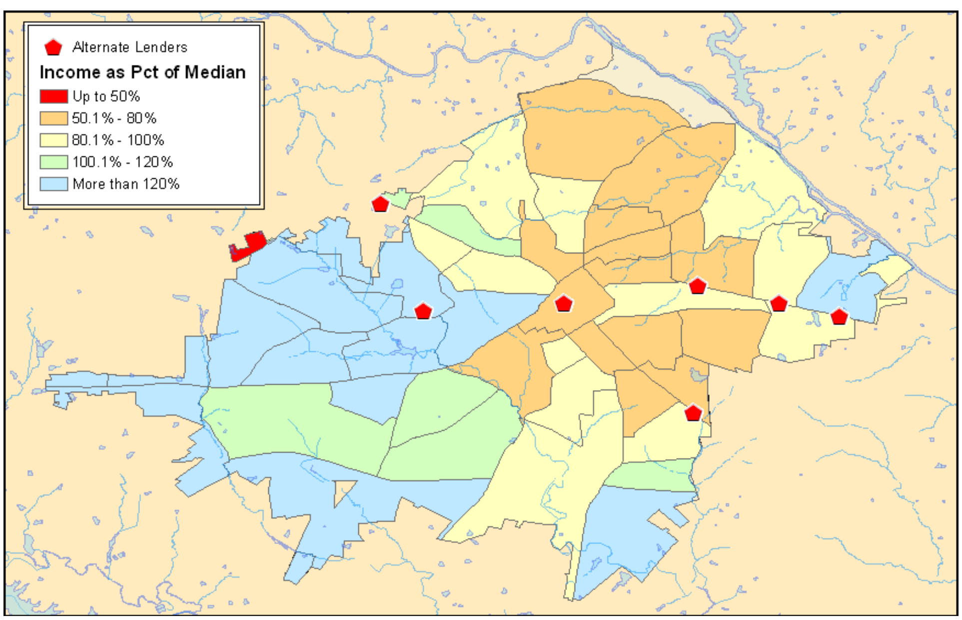
"Payday Lenders"

Another source of loans is check cashing or "payday" lenders, which are illegal in North Carolina. Check cashing outlets (such as currency exchanges) cash payroll, government, and personal checks for a fee. Their popularity increases as customers lose access to banks or cannot afford rising fees associated with the inability to maintain minimum balance requirements. Consumers use these outlets for their banking needs and are charged for the services they receive. These businesses offer temporary "payday loans" by accepting a postdated check from the customer, who receives the funds immediately, minus a fee. When used regularly, these fees can equate to double-digit interest rates.

Although these services tend to be located in areas of highest minority and low-income concentration, they are also found in very close proximity to local lenders. Customarily, they fill the void left by banks that do not service an area or have moved from it.

A cursory review of local Yellow Pages yielded nine personal lending sources, including pawn shops, "payday" lenders, personal and title loan establishments, and other similar services. Most of these lenders are located near the city center and where they are easily accessible by households earning below the median. A few are located in peripheral areas where they serve populations of income levels above the median.

Map 2: Locations of Other Lenders in the City of Burlington



Other Private Entities that Impact Fair Housing Choice

Real Estate and Housing Development Industry

The nation's economy continues to mount a sustained economic recovery and generally the local Board of Realtors attempt to work in conjunction with the National Association in support of Fair Housing and eliminating impediments that bar future growth in the City.

Foremost among these impediments is the absence of homes that young workers can afford. In the past few years, home prices have skyrocketed while household incomes have risen moderately. This has put affordable homes out of reach of more and more Burlington households.

Rental and owner homes were considered unaffordable if rent or owner costs consumed 35% or more of household income. The census defines owner costs to include mortgage payments and associated costs of homeownership such as property taxes and insurance. The 35 percent yardstick for affordability was selected because it conforms closely to guidelines promulgated by the U.S. Department of Housing and Urban Development. HUD has determined that a place to live should consume no more than 30 percent of household income.

Local real estate brokers indicated knowledge of the Fair Housing Act and other laws governing fair housing. Today's real estate industry depends more on marketing through the internet, and therefore much of the direct contact is gradually being eliminated from the sales process.

Homeowners Insurance Industry

Fair housing is about expanding the housing choice for those restricted by economic, social, political, and other forces. The persistence of unfair housing underlies unequal education, unequal access to jobs, unequal income, and redlining. Redlining is an exclusionary practice of real estate agents, insurance companies, and financial institutions that exists when 'there is a lack of activity by [an] institution to extend credit or coverage to certain urban neighborhoods because of their racial composition; or they are denied because of the year-to-year change in racial composition and the age of structure in a neighborhood regardless of the creditworthiness or insurability of the potential buyer and policy holder or the condition of the property."[15]

Over 40 years ago, an observation was made that "insurance is essential to revitalize our [American] cities. It is the cornerstone of credit. Without insurance, banks and other financial institutions will not—and cannot—make loans. New housing cannot be repaired. New businesses cannot expand, or survive. Without insurance, buildings are left to deteriorate, and services, goods and jobs diminish."[16] This statement can accurately describe many cities in 2010 as well as those in 1968. Investigations and statistical and applied research throughout the United States has shown that residents of minority communities have been discouraged in pursuit of homeownership, while many predominantly white neighborhoods have been successful in attracting those seeking the American dream of owning a home.

Discrimination in the provision of housing insurance has a lasting effect on the vitality of America's neighborhoods. Many traditional industry underwriting practices which may have some legitimate business purpose also adversely affect minorities and minority neighborhoods. While more recent studies have found little evidence of differential treatment of mortgage applications, evidence does suggest that lenders may favor applicants from Community Reinvestment Act (CRA)-protected neighborhoods if they obtain private mortgage insurance (PMI). The requirement of obtaining this additional type of insurance may actually mask lender redlining of low-income and minority neighborhoods. For loan applicants who are not covered by PMI, there is strong evidence that applications for units in low-income neighborhoods are less likely to be approved. Furthermore, these potential homeowners are more likely to be subject to policies that provide more limited coverage in case of a loss, and are likely to pay more for comparable policies.

Another critical factor in marketing of insurance is the location of agents. Most of the property insurance policies sold by agents are to insure within neighborhoods in which the agent is located. Studies have shown that the

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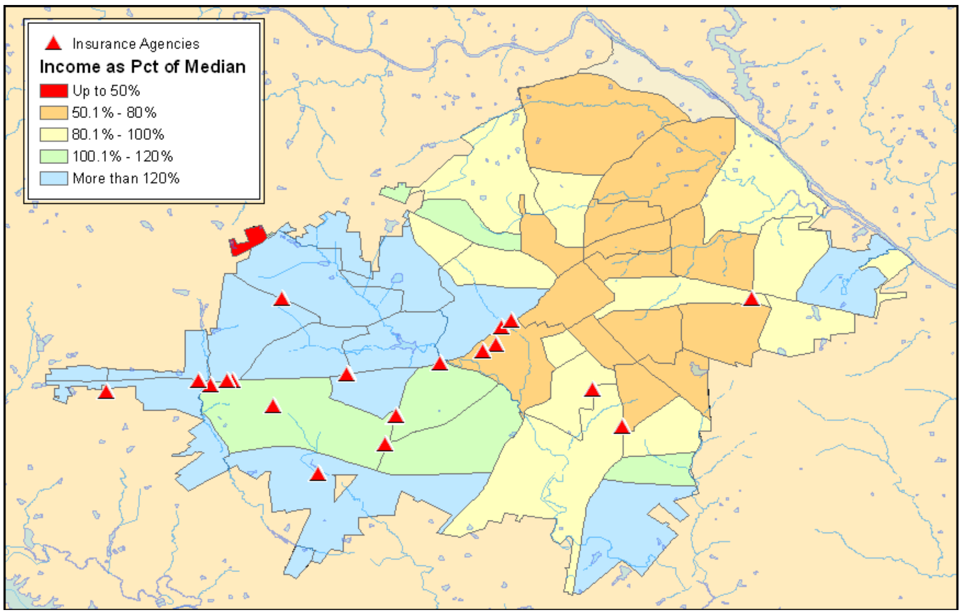
15 Hutchinson, Peter M., James R. Ostas, and J. David Reed, 1977, A Survey and Comparison of Redlining Influences in Urban Mortgage Lending Markets. AREUEA Journal 5(4):463-72.

16 National Advisory Panel on Insurance in Riot Affected Areas, 1968.

distribution of agent locations was clearly related to the racial composition of neighborhoods.

A review of the local Burlington Yellow Pages[17] shows that the insurance companies that provide homeowners insurance are predominantly located throughout the southwest portion of the City. Their distribution suggests that they primarily serve those households earning above the City's median income, causing those who reside in the lower-income areas of the City to do business with insurance agents outside their neighborhoods.

Map 3: Location of Insurance Agencies in the City of Burlington



Internet Advertising

The real estate industry depends largely on marketing through the Internet, thereby eliminating much of the initial direct contact. A review of randomly selected real estate sites on the Internet revealed no use of human models that would suggest discriminatory advertising. Furthermore, nearly 78 percent displayed the HUD fair housing logo somewhere on the website. While many of these did not appear on the agency's "home page", they were associated with specific home listings. In other words, home seekers must

[17] On-line review of www.yellowpages.com, accessed 11/14/10.

delve deeply into the page before realizing the assurances of fair housing practices.[18]

PRINT MEDIA ADVERTISING

In the context of fair housing, discriminatory advertising is any advertising that indicates any preference, limitation, or discrimination based on race, color, religion, sex, handicap, familial status or national original, or an intention to make any such preference, limitation, or discrimination. Overt or tacit discriminatory preferences or limitations are often conveyed through the use of particular words, phrases, or symbols.

The principle newspaper in the City, the Burlington Times News, is a full supporter of Fair Housing and properly display the HUD logo in conformance with the Fair Housing Regulations. The newspaper's web site is www.thetimesnews.com and is fully compliant.

[18] On-line review of www.yellowpages.com, accessed 11/14/10.

Section VI: Summary of Progress and Conclusions

This section presents the Fair Housing Analysis Conclusions for the Burlington 2005-2009 Consolidated Plan. It includes actions taken to address impediments to fair housing choice presented in Burlington's most recent Analysis of Impediments prepared in 2006.

The update centers on Public/Private information regarding the real estate, insurance and banking industries, Burlington and Graham Housing Authorities, North Carolina Human Relations Commission(including the addition of Affordable Housing as a fair housing area covered by State Law), and the Atlanta HUD Office of Fair Housing and Equal Opportunity, Community Planning and Development, and Public Housing.

Progress continues to be made on the issues developed in 2006, reported annually in the City's Consolidated Annual Performance Evaluation Report (CAPER).

Other Fair Housing Resources in North Carolina

North Carolina Fair Housing Center

The North Carolina Fair Housing Center was founded in 1994 to support and encourage equal opportunities in housing within the state. The Center is funded in part by HUD and the Z. Smith Reynolds Foundation. Through education, enforcement, training and advocacy, the Center promotes equal housing, lending and insurance opportunities The Center both advocates and facilitates enforcement of the Federal Civil Rights and Fair Housing Acts which prohibit housing discrimination based on race, color, religion, gender, national origin, disability, or familial status. [19]

Programs/Services:

The Center provides assistance to individuals, families and the community that include:

- Investigation of individual complaints of housing discrimination.

[19] North Carolina Fair Housing Center Web Site (www.fairhusing.com/ncfhc), Stella Adams, Executive Director (sadams7943@aol.com), 114 W. Parrish Street, Durham, NC, 27701

- Obtaining evidence to support enforcement action by public agencies.
- Initiating complaints and litigation to serve fair housing goals.
- Informing and advising community residents of their fair housing rights.
- Conducting conferences, training and seminars to inform government and housing professionals about fair housing laws.
- Assisting businesses, neighborhood groups, agencies and units of government in the development of fair housing goals, plans, strategies and actions.
- Providing information and referral for persons and families with housing needs.
- Education " through conferences, workshops and community meetings the Center promotes innovative and practical solutions for combating housing discrimination.
- Training for housing professionals and those involved in banking and insurance

NATIONAL COMMUNITY REINVESTMENT COALITION (NCRC)

Through workshops, conferences, investigation of civil rights complaints, systemic "testing," education and outreach, fair housing planning and "best practice" compliance initiatives, NCRC Fair Housing provides technical assistance to our members in rural, suburban and urban communities to promote economic justice and equal housing opportunity in our nation.

NCRC Fair Housing is currently focusing on increasing our members capacity to challenge discrimination, creating a anti-predatory lending member network to challenge discriminatory lending, and to build community lender partnerships that celebrate good business and access to credit.

The mission of the NCRC is to increase fair and equal access to credit, capital, and banking services and products because discrimination is illegal, unjust, and detrimental to the economic growth and well being of our society. NCRC is a HUD Qualified Fair Housing Organization. Seeking to support long-term solutions, NCRC provides resources, knowledge and skills to build community and individual net wealth.

NCRC is at the vanguard of a growing movement in which community leaders in rural and urban areas across the nation are becoming educated about, and active in, efforts to affect the flow of capital and the provision of fair housing and fair lending services in their neighborhoods.

NCRC has worked to make fair housing prevalent in all communities, to increase the capacity of neighborhood-based organizations, and to promote community-lender partnerships. These goals have been accomplished through fair lending testing, research, client counseling, investigating predatory lending practices, pro-integration activities, education and outreach programs, and private enforcement. NCRC Fair Lending professional staff testified on Capitol Hill, served as a resource to both the private and public sector, and are invited as "experts" to speak at conferences throughout the nation[20].

Impediments Identified

The Fair Housing Analysis Update for Burlington includes impediments to fair housing choice currently being addressed and the plans recommended to remedy them. The City's prior Analysis of Impediments was conducted in 2006 and included issues that are carried over to this update. This update is based on available public and private sector information from the City of Burlington, the City of Greensboro HOME Consortium, the real estate, insurance and banking industries, the Burlington Housing Authority, and the Atlanta and Greensboro HUD Offices of Fair Housing and Equal Opportunity and Community Planning and Development.

Specifically based upon the current data available, the following are the impediments and suggested actions that have been identified for the City. Of the three impediments, two are carried over and continuing over a longer term. The City will document and report its actions to HUD on the removal of impediments through Annual Reports which are a part of the Consolidated Plan Process.

Conclusions and Recommendations 2006

The City of Burlington is committed to equal housing opportunity. Despite its commitment and efforts over the years, unfair housing practices, procedures or policies continue to exist in the City.

[20] National Community Reinvestment Coalition (www.ncrc.org).

The City gathered and examined the existing data on policies, practices, procedures, patterns, and conditions affecting the location, availability, and accessibility of housing. Because of its findings, the City identified possible unfair housing practices. A summary of the identified impediments to fair housing choices in the City of Burlington and recommendations for minimizing or eliminating these impediments are as follows.

BURLINGTON 2006 IMPEDIMENTS

The City documented two principal impediments to fair housing choice. These impediments were as follows:

1. Bias and Negative Attitudes

In the Burlington area, historical social patterns fostered residential segregation and economic disparities. Negative community attitudes or biases also contributed to restricting housing choice for minorities, certain ethnic groups, the disabled (group homes), assisted housing recipients, or households based on familial status. The so-called NIMBY syndrome ("Not In My Backyard") presented a formidable challenge to defuse the attitudes and hostility toward affordable housing and assisted housing to be located in neighborhoods that were not economically or racially isolated.

Over the past several years, the City has actively undertaken fair housing education and outreach activities. However, the existing residential segregation, low-income concentrations, biases, and other deterrents to housing opportunities in its jurisdiction necessitate the City to further assess the effectiveness of its fair housing educational and outreach program.

2. Lending Policies and Practices

An analysis of the Home Mortgage Disclosure Act (HMDA) data indicated that within the area, financial institutions taking home mortgage applications in 2004 needed to improve their lending performance by marketing their products to the entire community and developing new products to meet changing local credit, investment and service needs.

The HMDA data did not conclusively prove or identify the existence of discriminatory practices by lenders. There was reason to be concerned about the rejection rates for home mortgages for minorities compared to White applicants with similar incomes. The City needed to look for ways to reduce the number of rejections and increase homeownership opportunities for all minorities regardless of income.

Actions to Address Impediments

Over the five-year period since 2006, the City of Burlington expected to undertake and accomplish actions to address the identified impediments. The objective of the planned actions was to meet the housing needs of the protected classes as well as the unprotected classes to effectuate equal choice or fair housing. These actions included, but are not limited to, the following:

Issue: Attitudes and biases or NIMBY syndrome:

1. Conduct public information/educational programs on housing rights, fair housing laws, complaint processes, and other fair housing issues (segregation and discrimination) for both housing providers and consumers.
2. Require potential homebuyers to attend a housing counseling program as a prerequisite to participate in the City's Homebuyer Assistance Program.
3. Refer potential homebuyers and other housing consumers with financial problems to local certified housing counselors and/or budget counselors.

Using these strategies, the City has attempted to reduce the number of rejections and increase homeownership and fair housing opportunities for minorities and low and moderate-income persons as well as other protected classes.

Issue: Lending Policies and Practices:

1. Affirmatively market the City's Homebuyer Assistance Program to lending institutions to solicit and encourage coordination with their mortgage programs. This action should increase homeownership opportunities for low and moderate income households despite race, ethnicity, familial status, disability as well as age.
2. Increase affordable housing stock through the City's housing rehabilitation loan program(s) by building and strengthening

partnerships and cooperative investment activities with financial institutions and non-profit housing providers.

ASSESSMENT OF ACCOMPLISHMENTS SINCE 2006

In Burlington's Action Plan, the City integrated actions to encourage non discrimination and fair housing choice for all individuals into its annual activities and efforts to remove barriers to affordable housing. The City performed the following activities and conducted the following education/outreach effort on fair housing choice and distributed HUD pamphlets, "Fair Housing, It's Your Right" and "Putting Your Home on the Loan Line is Risky Business," to public facilities and placed pamphlets in the public information rack in the City Municipal Building.

- Worked with Alamance County Community Services to make fair housing materials available to the Public.
- Provided down-payment assistance to low and moderate-income first-time homebuyers using ADDI and other funds.
- Referred potential first-time homebuyers for housing counseling to certified housing counselors at Alamance County Community Services Agency, the banks and the Consumer Credit Counseling Agency of Burlington, a non-profit organization.
- Increased and maintained affordable owner-occupied housing stock through the City's existing housing rehabilitation loan programs.
- Rehabilitated homes of disabled and elderly households to make the houses more accessible based on their physical limitations, thereby, enabling them to continue to reside in their homes.
- Referred homeowners threatened with foreclosure on their property or with credit problems to Consumer Credit Counseling Service, Resolution Mitigation Services, and/or Legal Aid. Legal Aid, as appropriate and necessary, placed the homeowners with the UNC or Duke Law Clinics.
- Referred landlords and eligible potential tenants to Graham Housing Authority to obtain rental assistance through the Section 8 program.
- Referred eligible rehabilitation clients to Alamance County's Housing rehabilitation grant program.

- Referred clients with rental housing problems to Alamance County Community Services for assistance through their Housing Counseling Program.
- Contacted Burlington-Alamance County Association of REALTORS to confirm their use of Fair Housing practices. The Association sent the City the Fair Housing Declaration they use for clients.
- Completed a Housing Rehabilitation brochure, which promotes the fair housing symbol and the City's adherence to this policy.

Suggested 2010 Impediments

Impediment #1:

Access to Affordable Homeownership, as well as Rental Units, and Prevention of Predatory Lending Practices

As is the situation in most communities in the Country, the importance of homeownership, as well as reasonable rental opportunities, in Burlington/Alamance County cannot be overstated, both as a means to increase household wealth and as stabilizer in at-risk neighborhoods. Many lower-income households are prevented from owning their home unless they end up paying outrageous interest rates of predatory lenders. Local efforts must continue to include homeownership education and opportunities for prospective homeowners at the lowest income levels, including thorough and comprehensive information on access to loans, through diligent marketing efforts that reach all segments.

Suggested Steps to Remove this Impediment:

1. With the economic downturn during the past two to three years, together with the home foreclosures, need for sufficient public transportation to employment, the cost of housing remains largely a matter of economics in the private sector. It is possible for a public entity, such as the City of Burlington, to promote education and opportunities for prospective homeowners, as well as renters, at the lowest income levels. Through diligent marketing efforts to all socio-economic segments, the City of Burlington can provide information on available down-payment assistance and other homeownership programs as well as information on access to loans at market interest rates in addition to rental assistance as appropriate.

2. Municipal programs targeted at lower income and protected class citizens should include educating the population on the importance of homeownership and how to access local lending resources, in addition to quality rental opportunities as appropriate.

Impediment #2:

Need to accelerate Fair Housing outreach with housing industry including developers, realtors, financial institutions, and insurers.

Suggested Steps to Remove this Impediment:

1. The City and NCHRC should continue to develop print and electronic media to provide education and outreach to a variety of groups on the Fair Housing law. This campaign should be carried out in a variety of languages.
2. Survey (through bi-lingual outreach and education) the Latino community to determine what is driving current housing patterns.
3. Conduct lending and sales baseline audits to determine what role gate-keeping plays in the lower homeownership rates experienced by African Americans and Hispanics.
4. Continue to hold annual Fair Housing outreach sessions with industry leaders and consumers regarding financing, insurance, development, and the real estate market.

Summary of Progress

Access and Understanding the State and Federal Fair Housing Laws tell us that fair housing is within reach in Burlington; however, two impediments do not give the whole picture. Other barriers exist, but, regrettably, they are not quite within the realm of public control. Furthermore, they are not exclusive to the City of Burlington. These limitations are largely ones that exist within the individuals themselves, such as lack of education, language barriers, suspicion of public agencies, and other cultural or social characteristics.

During its review of the City of Burlington, some situations were discovered that, while not qualifying as impediments, per se, indicate a certain amount of unfairness and have the potential to foster unfair housing practices.

1. Reasons behind the reversal in the pattern of loan denials (conventional denials lowest in frequency seconded by government denials) are difficult to determine. They may be a reflection of more stringent application of government loan criteria by local administrators, more lenient guidelines among conventional lenders, or some other reason. Further investigation is recommended.
2. Loans granted to lower-income borrowers decline in frequency in areas with higher minority populations. While this may be a result of fewer opportunities for homeownership due to the commercial or industrial nature of the surrounding geographic area, this may be an area that warrants further investigation.
3. There is some evidence that race plays a role in loan approval in the City of Burlington, which may or may not be specifically attributable to overt discrimination in lending.
    a. Black loan applicants are substantially underrepresented in comparison to their frequency in the population, suggesting that black consumers may incur barriers to the lending market in the City of Burlington.
    b. Hispanics appear to be underrepresented as applicants, suggesting that they may incur barriers to accessing the lending marketplace.
    c. Application approval among black and Hispanic consumers is well below the mean at all income levels. This may suggest the absence of opportunities to maintain steady employment in Burlington, which would hinder their ability to establish and maintain creditworthiness, or a lack of familiarity with the loan application process.

In response, the development of the city's fair housing plan should consider incorporating the following improvements.

1. Increase housing options for households at the lowest and highest income levels to relieve the competition for median-priced homes.
2. Ascertain that low homeownership rates (where they occur) are a reflection of a geographic area's function and not a reflection of the race, ethnicity, or income levels of its residents.

3. Remedy high vacancy rates in areas with high ethnic concentrations by ensuring availability of and access to services and amenities that will attract other residents.
4. Encourage compliance with equal opportunities in employment to create and maintain sustainable employment.
5. Take steps to educate credit consumers in management of household finances and responsible use of credit.

Certainly cities can reach out to the less educated, to speakers of other languages, and to those who might not trust government; but overcoming these kinds of cultural impediments is, to a great extent, under the control of the citizens themselves. Each citizen, whether or not a member of a protected class, has the opportunity—and some would argue, the responsibility—to make fair housing a standard practice, by educating themselves and others of the right each American has to live in housing free of discrimination.